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McGwire Hits 61st Homer, Tying a Cherished Record

He Reaches Maris's 37-Year-Old Baseball Milestone

ST. LOUIS — Mark McGwire reached one of baseball's most revered records on Monday, hitting his 61st home run of the season to tie Roger Maris's legendary 37-year-old mark.

McGwire's first-inning drive off Mike Morgan of the Chicago Cubs was his seventh in seven games and 15th in 20 days. The St. Louis Cardinals' first baseman pushed himself three homers ahead of Sammy Sosa, whose Cubs began a two-game series at Busch Stadium here.

Only three players in baseball history have hit 60 or more homers in a season. Babe Ruth had 60 in 1927, a record that stood until Maris hit 61 in 1961.

McGwire's record-tying homer came when he hit a 1-1 pitch off the club level at Busch Stadium, a drive estimated at 430 feet and truly worthy of pulling even with Maris's record. The crowd stood in unison while the St. Louis Cardinals first baseman held both

arms wide and high as he approached first base. McGwire's 10-year-old son, Matthew, waiting at home plate, was then lifted and hugged by his father.

Sosa fouled out to McGwire in his first at-bat on Monday.

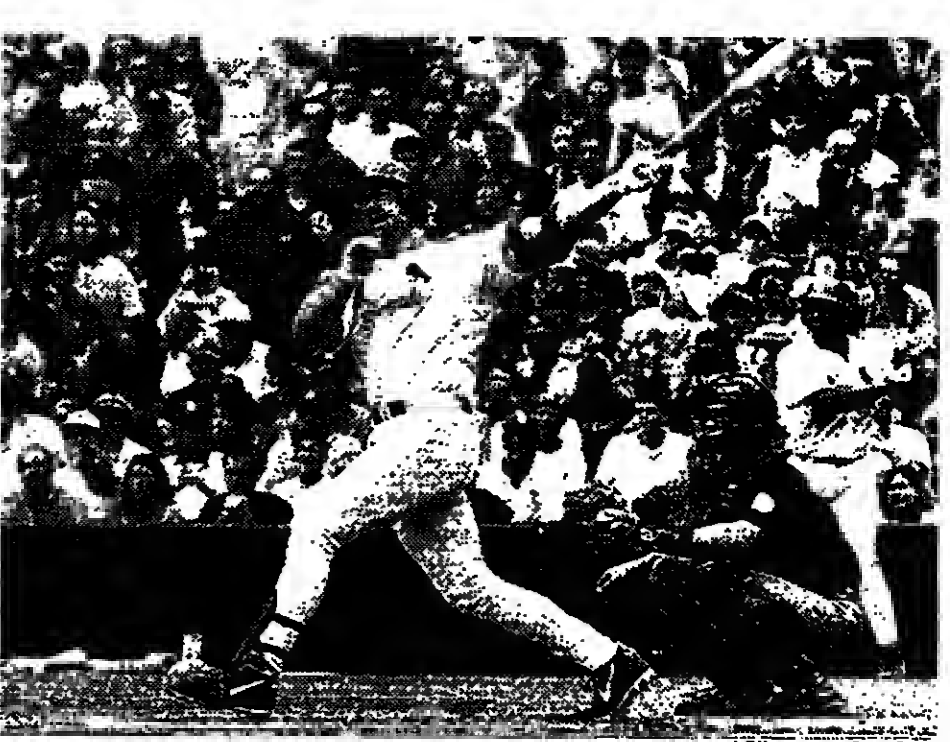
Maris hit his 61st homer on the last day of the 162-game season, while Ruth accomplished his 60th in the final game of a 154-game schedule. McGwire's came in his 144th game.

When Sosa came to the plate in the top half, the crowd saluted the Cubs' slugger with a standing ovation, quite a tribute considering the long-standing rivalry between the teams.

The crowd was not as loud when McGwire, bating third in the Cardinals order, stepped up in the bottom of the inning with two outs.

Three pitches later, the scene turned into bedlam. After missing the first pitch and taking a ball, McGwire sent the ball hurtling toward the left-field stands.

Historic rivalry in St. Louis, Page 19.



The swing of the year as Mark McGwire hit his 61st home run of the season in his first at-bat in St. Louis on Monday. He tied Roger Maris's season record, set in 1961.

Russian Duma Hands Yeltsin New Defeat on Chernomyrdin

Pressure Mounts on President To Pick Another Prime Minister; Central Bank Chief Resigns

By David Hoffman
Washington Post Service

MOSCOW — The lower house of Parliament overwhelmingly rejected on Monday for a second time President Boris Yeltsin's nomination of Viktor Chernomyrdin to return as prime minister, leaving Russia without a government as the economy further unraveled and protests erupted over food shortages.

At the same time, the chairman of the central bank, Sergei Dubinin, submitted his resignation, sowing additional uncertainty about Russia's next steps as the ruble skidded against the dollar and the main Moscow currency exchange was abruptly closed once again for a lack of dollars.

The political and economic tailspin was felt not only in the capital but also in the provinces, where price increases and shortages of food have spread because of panic-buying and disrupted imports. Street rallies were held in Ivanovo, an old textile industry town east of Moscow, and in Snezhinsk, home of a nuclear weapons laboratory in the Ural Mountains, where workers said they had not been paid for five months.

Many politicians said the country was directionless at a time of intense economic crisis.

"Every day of inaction brings us closer to catastrophe," said Mayor Yuri Luzhkov of Moscow, who was gaining support as a possible alternative nominee should Mr. Yeltsin decide to abandon Mr. Chernomyrdin.

Mr. Yeltsin postponed plans for an official visit to Kazakhstan, scheduled for Tuesday, so as to remain in Moscow. The Kremlin had no comment on the Chernomyrdin vote.

The Communist Party leader, Gennadi Zyuganov, said he would meet Mr. Yeltsin on Tuesday to discuss "new candidates."

Boris Berezovsky, the tycoon who has pushed hard for Mr. Chernomyrdin, said he was "100 percent sure" Mr. Yeltsin would name him again. But pressure was mounting on Mr. Yeltsin to pick someone else.

The 450-member lower house, the State Duma, dominated by Communists and nationalists, later rejected Mr. Chernomyrdin by a vote of 273 to 138, with 1 abstention and 38 not voting.

Under the constitution, Mr. Yeltsin can seek a third ballot, and if Mr. Chernomyrdin is rejected a third time, he can appoint the prime minister of his choice, dissolve the chamber and call new parliamentary elections.

Despite a week of lobbying by Mr. Chernomyrdin's allies, he was opposed by both the centrist Yabloko bloc under Grigori Yavlinsky and by the Communist Party, under Mr. Zyuganov. Mr. Chernomyrdin drew support from the ultranationalist bloc of Vladimir Zhirinovskiy, and his own bloc, Our Home Is Russia.

Mr. Yeltsin's attempts to negotiate with his opponents in Parliament went nowhere during a morning "roundtable" session in the Kremlin. According to participants and Kremlin officials, Mr. Yeltsin suggested giving Mr. Chernomyrdin a "probation time" of six to eight months, but that was rejected. Mr. Yeltsin offered a watered-down political deal giving Parliament more say on cabinet appointments, but that did not meet approval either.

During debate in Parliament, Mr. Yavlinsky suggested dropping Mr. Chernomyrdin for Foreign Minister Yevgeni Primakov. Regional leaders championed the cause of Mr. Luzhkov.

Exasperated after his second defeat, Mr. Chernomyrdin fumed: "It seems, the worse the better. Someone wants empty shelves, nothing in stores, people take to the streets."

Indeed, the entire debate over Mr. Chernomyrdin came against a backdrop of Russian shoppers buying out grocery stores and pharmacies, prompting comparisons with Soviet-era shortages.

Galina Starovoi, an independent Duma member from St. Petersburg, recalled the reforms of the last Soviet president, Mikhail Gorbachev, in reproaching the Communist legislators.

"You don't like anything that has been happening since perestroika started," she said. "You would like to send us back to pre-perestroika times. I congratulate you: Today you succeeded in it. Look at the stores today. After you sent away two reformist governments, the ruble went down and the prices went soaring up, and the stores are empty."

Mr. Chernomyrdin's defeat came as the central bank chief, Mr. Dubinin, resigned, citing conflicts with Parliament. Mr. Dubinin, an academic, had been associated with the ruble "corridor" under which, from 1995 until this August, the government had managed to bring down high inflation and hold the currency relatively stable against the dollar. The ruble was devalued on Aug. 17.

But Mr. Dubinin had been increasingly a target of criticism as Russia's financial situation worsened. The criticism was aimed at both the bank's monetary policy and at the handling of Russia's fragile banking system during the crisis.

Andrei Illarionov, director of the Institute for Economic Analysis and a persistent critic of the central

Government Action and Stronger Yen Lift Asia Markets

By Mark Landler
New York Times Service

HONG KONG — Stock markets surged Monday from Singapore to Seoul in a turbo-charged rally, fueled by a stronger yen and interventionist government policies in Malaysia and Hong Kong, where shares leaped 23 percent and nearly 10 percent, respectively.

Both Malaysia and Hong Kong have dismayed some free-market advocates in recent

days with their market activism. In Kuala Lumpur, the government has imposed sweeping capital controls. Rather than flee, investors

Ex-finance minister draws crowds, Page 4.

bought heavily. The benchmark stock index rose a record 22.46 percent, to 443.06 points. By shielding itself from the global market, Malaysia has been able to lower interest rates,

which has attracted local investors, particularly big pension funds with ties to the government.

In Hong Kong, the Hang Seng index soared 7.86 percent, to 8,076.76 points, as investors reacted enthusiastically to lower interest rates and new government measures to police the market more strictly. Those measures come in the aftermath of a \$15 billion government buying spree to prop up shares.

"We've had a technical rebound in these markets," said Miron Mushkin, director of

strategy at Indocam Asia Asset Management.

"With the government policies, there is a greater desire to inject liquidity into the system."

Mr. Mushkin drew a distinction between Malaysia, which has erected a wall around its economy, and Hong Kong, which is trying to take the sting out of its participation in the global economy by supporting its stock market and devising rules to ward off foreign speculators.

See MARKETS, Page 16

Eruptions of Tension Put Southeast Asian Capitals on Alert

Indonesian Students Mass On Grounds of Parliament

By Cindy Shiner
Washington Post Service

JAKARTA — Hundreds of student demonstrators massed at the Parliament building in the Indonesian capital Monday, broke down its front gate and demanded that President B.J. Habibie resign.

In another reflection of impatience with the government as the economy continues to unravel, rioters went on a rampage in a rural town, torching shops owned by ethnic Chinese.

The protest in Jakarta was the largest and longest sustained since thousands of students took over the Parliament building in May and pressured former President Suharto to step down after 32 years in power. Those demonstrations coincided with rioting that claimed at least 1,200 lives.

Critics of Mr. Habibie, who is the first civilian president in Indonesia and was a protégé of Mr. Suharto's, accuse him of the same corruption and nepotism that characterized the former government.

"The stepping down of Suharto has not improved things," the protesters said in statement. "It is quite clear that Habibie is a puppet of Suharto."

Mr. Suharto went on national television on Sunday to deny

See INDONESIA, Page 4

Burmese Military Rounds Up 110 Dissident Party Members

By Thomas Crampton
International Herald Tribune

BANGKOK — Burmese opposition officials said Monday that the military government had arrested 110 members of Daw Aung San Suu Kyi's National League for Democracy in an effort to prevent a planned meeting of elected opposition leaders.

Nearly half of those detained in a series of arrests around the country that began Sunday had been elected in 1990 to a Parliament that was barred from taking office, allies of Daw Aung San Suu Kyi said. The Nobel laureate, virtually confined to her home in Rangoon, had called for the Parliament to convene.

Concerned that this call would adversely affect national security, the government said late Monday that it had "invited" an unspecified number of National League for Democracy members to stay at government guest houses.

For the past eight years, the government has refused to recognize the results of the 1990 election, which Daw Aung San Suu Kyi's party won by a landslide.

Although the league's challenge to the government comes at the same time it is under increasing pressure from student protesters, diplomats and analysts noted that neither opposition group has yet managed to coalesce in a way that might undermine key sectors of

See BURMA, Page 4

Gunfire in Phnom Penh As Hun Sen Cracks Down

By Seth Mydans
New York Times Service

PHNOM PENH — The Cambodian post-election standoff erupted into turmoil and gunfire Monday as the country's strongman, Hun Sen, ordered the arrests of his opponents and security men fired into crowds of protesters, killing at least one person.

A long day of tension, threats and surging crowds appeared to end on a calmer note at midnight as a representative of Mr. Hun Sen said no immediate arrests would be made. He also withdrew Mr. Hun Sen's threat to remove by midnight thousands of protesters who have filled a park for the past two weeks.

But the organizer of the protests, and the chief target of Mr. Hun Sen's threats — Sam Rainsy — remained inside the huge riverside Cambodiana Hotel, where he had taken refuge at the office of the UN representative in Cambodia.

"If needed, we will invite him for talks and information, but there is no arrest warrant for Sam Rainsy," said Mr. Hun Sen's representative, Prun Sokha, the Interior Ministry director of information.

Together with Prince Norodom Ranariddh, Mr. Sam Rainsy has led an increasingly assertive protest against the results of a

See CAMBODIA, Page 4

The Crisis Weighs Heavily On Many of Asia's Children

'We Could Easily Lose a Whole Generation'

By Kevin Sullivan
Washington Post Service

JAKARTA — Eleven-year-old Ipan, a cheerful little beggar in a buzz cut and a dirty T-shirt, knocks on car windows and sings and pleads for money with his 4-year-old sister, Tuti, clinging tight to his side in her faded flowered dress.

He bangs on his homemade tambourine, a stick with a nail driven through a bunch of jangling bottle caps, and sings to people who mainly ignore him from behind smoked-glass windows.

Ipan is part of an army of ragamuffins who fan out when the light turns red at the intersection between the chic Mandarin Oriental Hotel and the gleaming Deutsche Bank tower.

It is a scene repeated all over this city of 8 million people every hour of every day. Even after midnight, children knock on car windows; some of these children are too small to see over the car door.

Until two months ago, Ipan spent his days in school, learning to read and write and count more than spare change.

But his parents, who have lost their jobs, can no longer afford the school fees, so Ipan has joined the growing throng of young street hustlers.

Like children around Indonesia, he has seen his world transformed in a matter of weeks. Once on the cusp of stepping out of the slums, he and millions of others now face desperate lives of extreme poverty and malnutrition.

Misery is a difficult thing to measure, but Asia's economic crisis has been cruel to children. Visits to dumps and

Second of three articles

slums, villages and cities, homes and workplaces across the region in the last six months paint a bleak portrait of the impact of Asia's economic crisis on its youth, and therefore, on its future.

In Indonesia, Thailand and South Korea, fast-growing economies had made it possible for millions of poor people to enjoy better living standards, cleaner and safer places to live and work, more and better education, freedom from disease and longer lives. Now Asia's poor, many of whom were just taking their first steps out of poverty, are tumbling back into conditions they thought they had left behind forever.

The situation is worst in Indonesia, a vast nation that has suffered economic catastrophe, violent political upheaval and its most severe drought in a century — all at the same time. But many of the problems being seen in Indonesia — hunger and malnutrition, rising dropout rates, increasing child labor, crime and prostitution, family disintegration — also are increasing in Thailand, South Korea and other Asian countries.

Malnutrition in Indonesia is rising



In an orphanage in Seoul, Kim Min Ah, left, 12, and Koh Jung Eun, 11, eat from the same bowl.

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AGENDA

Dollar Slips After Greenspan Hints at U.S. Interest-Rate Cut

LONDON — The dollar was battered against other major currencies on Monday, particularly the yen and Deutsche mark, after the Federal Reserve Board chairman, Alan Greenspan, indicated last week that U.S. interest rates could be lowered.

The talk of lower interest rates dragged the dollar down 2 percent to a four-month low against the yen and a nine-month low against the Deutsche mark.

For traders, the prospect of lower U.S. interest rates became the latest piece of ammunition added to the arsenal of dollar bears. "The Fed has changed its stance on rates," an analyst at American Express Bank. "The dollar hasn't yet seen its lows." Page 13.

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Nigeria Unveils Constitution Amid Promises of Openness

The Nigerian military ruler, General Abdulsalami Abubakar, promised greater political and economic openness Monday as he made public the country's draft constitution and said privatization would soon start.

The 204-page draft constitution will guide Africa's most populous nation after an elected, civilian government takes over in May.

He also said that those who misused funds during the rule of his late predecessor were under investigation and that foreign countries were helping track down missing cash.

General Abubakar, 56, said: "This administration is committed to instilling transparency, accountability and probity in public life." Page 6.

Newstand Prices	
Bahrain	1,000 BD
Cyprus	1,000 CYP
Denmark	14.00 DKK
Finland	12.00 FIM
Gibraltar	0.85 GBP
Great Britain	0.85 GBP
Egypt	5.50 EGP
Jordan	1,250 JD
Kenya	100 KES
Kuwait	700 KWD
Malta	1,200 MTL
Nigeria	1,250 NGN
Oman	1,250 OMR
Qatar	10.00 QAR
Repub. Ireland	1.00 EUR
Saudi Arabia	10 SR
S. Africa	5.50 ZAR
Singapore	1.20 S\$
U.A.E.	10.00 AED
U.S.	1.00 USD
Zimbabwe	2.00 ZWD

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Crude Awakening / Azerbaijan's Latent Oil Boom

For Now, Caspian's Wealth Seems Like an Alchemist's Dream

By Daniel Williams
Washington Post Service

SUMGAYIT, Azerbaijan — Edil Mamedov presides over a whale of an aluminum plant beached among dozens of other industrial, Soviet-era carcasses in this Caspian seaside town.

He is eagerly awaiting the offshore oil boom that promises to make his sleepy country a new Kuwait, a new Somaliland where petroleum means vast and instant wealth. But the wealth from the huge reserves of oil in the Caspian basin has yet to touch Mr. Mamedov and his decaying plant. No orders have come in for aluminum sheets, pipeline casings or any other product that might be useful in oil exploration. No trickle has trickled down.

"This is a sore point with us," he said in his big, empty office on the silent plant grounds. "We can make things that are needed, but the drilling companies prefer to import. So the oil means little so far."

His disappointment is shared by most citizens of Azerbaijan and, for that matter, surrounding countries of the former Soviet Union that are awash in oil but also in poverty. So far, the heralded oil boom is feeding more dreams than mouths.

After the collapse of the Soviet Union in 1991, major Western oil companies flocked to Azerbaijan and other countries around the Caspian Sea, eager to invest billions of dollars to tap unexploited oil and gas reserves. Caspian oil has attracted some of the biggest names in oil, among them Chevron, Mobil, British Petroleum, Agip, Unocal, Arco, Exxon, Pennzoil and the Russian company Lukoil. They are individually or in concert exploring for the crude and developing ways of getting it out of the landlocked region.

But it now appears that major revenue from oil will not arrive in Azerbaijan for another 5 to 10 years, experts predict. A huge pipeline network is needed to get the oil to market, and the pipelines must be built across difficult and sometimes hazardous territory.

Ethnic wars in the region threaten to disrupt construction and, eventually, the transport of oil. Construction will take years, and hopes of doing it on the cheap by including old segments of pipeline have faded. The aging equipment is crumbling. Falling oil prices also have made investors wary of costs, slowing the projects.

"The delay would be easier to take if we didn't know what oil can bring," Mr. Mamedov said. "We have let ourselves get excited."

There is danger in the clash of expectations and reality, the Azeri people say. Falling across Azerbaijan is the shadow of Mohammed Reza Pahlavi of Iran, the shah who was overthrown in 1979 by rebels in the name

of a frustrated population divorced from the riches of oil. Already, corruption and vast disparities in income between a wealthy few and the impoverished masses have led to comparisons with prerevolutionary Iran.

"It is not hard to see, in a few years, people upset that the dream turned to dust," said Leila Yunusova, chairwoman of the Peace and Democracy Institute, a human rights watchdog.

The high expectations stem in part from Azerbaijan's storied oil past, a golden age populated by Rothschilds, Rockefellers and Nobels, big cars, ornate mansions and limitless possibilities.

Sara Ashorbelly is a living relic of those times. A historian by profession, at 92 she is also one of the last remaining members of a generation that grew rich off the huge pools of oil that lie beneath the basin of the Caspian Sea.

Her memories of Baku, the once graceful seaside capital of Azerbaijan, and its cosmopolitan life and optimistic outlook are like a dream for today's Azeris. "I think that when people hear about my world of the past, they see their world in the future," she said in a recent conversation.

In Ms. Ashorbelly's writings, oil over the centuries seemed as much a magic potion as an industrial commodity. In the 17th century, white oil, used for lacquer, was scooped up from the ground by the bucketful. Ornately labeled clay cubes were used to transport lamp oil to Persia. Silk-worm breeders used it because its smoke seemed to energize the worms.

Ms. Ashorbelly's own story is filled equally with romance — and despair. Her grandfather, a shepherd, discovered oil oozing from pasture and went into business with the Rothschilds to produce kerosene and eventually gasoline for automobiles. Early in the 20th century, Azerbaijan was producing half the world's oil.

BUT the life of private schools, tea under a grape arbor and conversations in French ended with the Bolshevik takeover in 1919. A new, harder-edged romance began: Azerbaijan would nourish Stalin's vast industrialization campaigns and giant war machine. Ms. Ashorbelly married a Communist Party official, but her father was killed in a Stalinist purge. Her old family home became a Soviet museum, and she turned to history. "Oil has been everything for this country, and perhaps that is the problem," she said.

Azeris keenly feel that the second coming of an oil boom should not be squandered. Already there are many signs to suggest that even when the riches flow, benefits may be low to the population at large.



Daniel Williams/The Washington Post

"It is hard to speak of an oil boom when a fifth of the work force leaves the country to find jobs," said Sabit Bagirov, president of the Entrepreneurship Development Foundation, a trade group.

Two-thirds of the population live in poverty, a recent UN study reported. As in many former Soviet republics, the life expectancy has dropped since 1990. The United Nations blamed the fall on declining nutritional levels, pollution, stress and a decaying health system.

Azerbaijan is also burdened with a huge pool of refugees driven from their homes during a six-year war with Armenia over the disputed enclave of Nagorno-Karabakh. Azerbaijan lost the war and control over the region in 1994, and some 700,000 refugees — 1 out of 10 Azeris — are still housed in tents and container-like shelters along country roads and in apartments abandoned by tens of thousands of Armenians who fled.

Mr. Bagirov fears that Azerbaijan will give in to the temptation to rely totally on oil to recover from the disaster. He notes that loans for other parts of the economy, farming in particular, are difficult to come by. Under the authoritarian rule of President Heydar Aliyev, no one knows what the government spends and who benefits.

"The government feels satisfied that Azerbaijan is already a superstate. But frankly, it is more smoke than reality," Mr. Bagirov said.

SUMGAYIT, for instance, has already been deeply frustrated. The city sits on the north shore of the oil-rich Askeron Peninsula, opposite Baku. It is a graveyard of Azerbaijan's industrial past.

Sumgayit was conceived as a model of Soviet planning: Oil would fuel an industrial complex of aluminum, ceramic, glass, petrochemical and other industries. Energy was in effect free and the market guaranteed. Efficiency and quality were unimportant. Blocks of five-story houses were built for workers. With the collapse of the Soviet Union, the market disappeared, and with the transit to a market economy, free fuel was no longer available. Factories shut down.

"If some of these factories were working, things would be better," said Rashid Zenalov, a construction worker from a village near Nagorno-Karabakh. Mr. Zenalov, 61, his wife and five children live in an apartment block that had been condemned but now houses dozens of destitute refugee families.

If there is a boom face to Azerbaijan, it is glowing in Baku. Foreign oil companies have renovated the turn-of-the-century mansions of

several former oil barons, air-conditioned grocery stores stand on several downtown corners and two fancy hotels have been built. Italian clothing stores have opened along refurbished pedestrian malls.

Beneath the glitter deep problems persist, though. The city suffers from chronic water shortages and electrical brownouts. Potholes make roads into obstacle courses. All are symptoms of an aging public infrastructure. "On the surface, Baku looks better and better, but beneath it all, we are rotting," said Rafail Shirinov, one of the newly wealthy.

Mr. Shirinov is a beneficiary of the lure of oil for foreigners. He rents buildings to foreign companies and founded a bank that in turn finances several other businesses: a supermarket, warehouses, a distributorship for American-made furniture and a private club.

Government officials urge patience. In the style of Soviet-era functionaries, which many of them were, they predict that the petroleum riches will give rise to a new kind of Azeri who will be both industrious and corruption-free. "This is a time of transition," said Namik Nasrullayev, the economics minister. "Our people are used to getting things for free. Free energy, free handouts. They don't yet understand that in the global economy, one must work hard, one must strike out on one's own."

TRAVEL UPDATE

Europe Truckers Unite

PARIS (AFP) — Traffic delays may hit ports and border crossings across Europe and elsewhere Tuesday when truckers plan a day of action worldwide to protest long working hours.

Led by the International Transport Workers' Federation and the Federation of Transport Workers' Unions in the European Union, truck and bus drivers plan go-slows, rallies and leafleting at border crossings, main roads and ports.

In France, the militant Force Ouvrière union said it planned to set up roadblocks at the Belgian, Spanish, Luxembourg, Italian and German borders. Cars will be let through, but not trucks.

Talks aimed at ending a nine-day-old strike by pilots at Northwest Airlines have been recessed for two days. Negotiations resume Tuesday. (Reuters)

Canadian Navy Detects Flight 111's 2d Recorder

The Associated Press

HALIFAX, Nova Scotia — The Canadian Navy said Monday it was confident it had detected the signal from Swissair Flight 111's second "black box," the cockpit voice recorder.

The signal was picked up Monday by a Canadian submarine, according to a navy spokesman.

The voice recorder would reveal other noises in the cockpit besides the pilots' conversation with controllers, a transcript of which was released Saturday.

Divers working in 190-foot (58-meter) waters recovered the plane's other "black box," the flight data recorder, on Sunday, in the first major breakthrough for crash investigators trying to determine why the MD-11 jetliner plunged into the sea Wednesday night off the coast of the fishing village of Peggy's Cove, killing all 229 people on board.

The flight data recorder was flown to a laboratory in Ottawa. If it is in good condition, it would provide more than 100 types of data that could help explain why the plane's cockpit filled with smoke and why the pilots' emergency conversation with traffic controllers was cut off six minutes before the crash.

Divers also were trying to confirm that three large pieces of wreckage found near the flight data recorder are sections of the plane's fuselage.

"Some of them are squashed," said Captain Phil Webster, a spokesman for the Canadian Navy. "It's in very poor shape, but it is visible and it looks like an aircraft fuselage."

Though officials have declined to give an updated figure of how many bodies have been recovered, they have indicated that most remain in the sea. Recovery of the fuselage could also lead to recovery of many more bodies.

A U.S. Navy rescue and salvage ship embarked Sunday from Philadelphia to assist in the possible recovery of large aircraft parts.

The Grapple, which assisted in the deep-sea investigation of the TWA Flight 800 crash in July 1996, carries equipment capable of lifting 300 tons, plus more than 30 divers. It is expected to reach Nova Scotia on Wednesday.

The Swissair plane crashed 16 minutes after the pilots reported smoke in the cockpit and decided to attempt an emergency landing. The plane, about an hour into its flight from Kennedy International Airport to Geneva, started toward the Halifax airport, but made two sharp turns as it tried to descend and dump fuel.

In Zurich, Swissair officials said they had reconstructed the final phase of the flight, based on information from Canadian investigators. They said the plane could not have made a direct approach to Halifax from where it made the first distress call because it was flying too high and was too heavy with 30 tons of fuel.

The call was made 70 miles (115 kilometers) out of Halifax, but the pilots would have needed 130 miles to make a direct landing, said Swissair's chief pilot, Rainer Hiltbrand. He said that attempting to land in Halifax was still better than trying for Boston, which the pilots initially suggested to controllers.

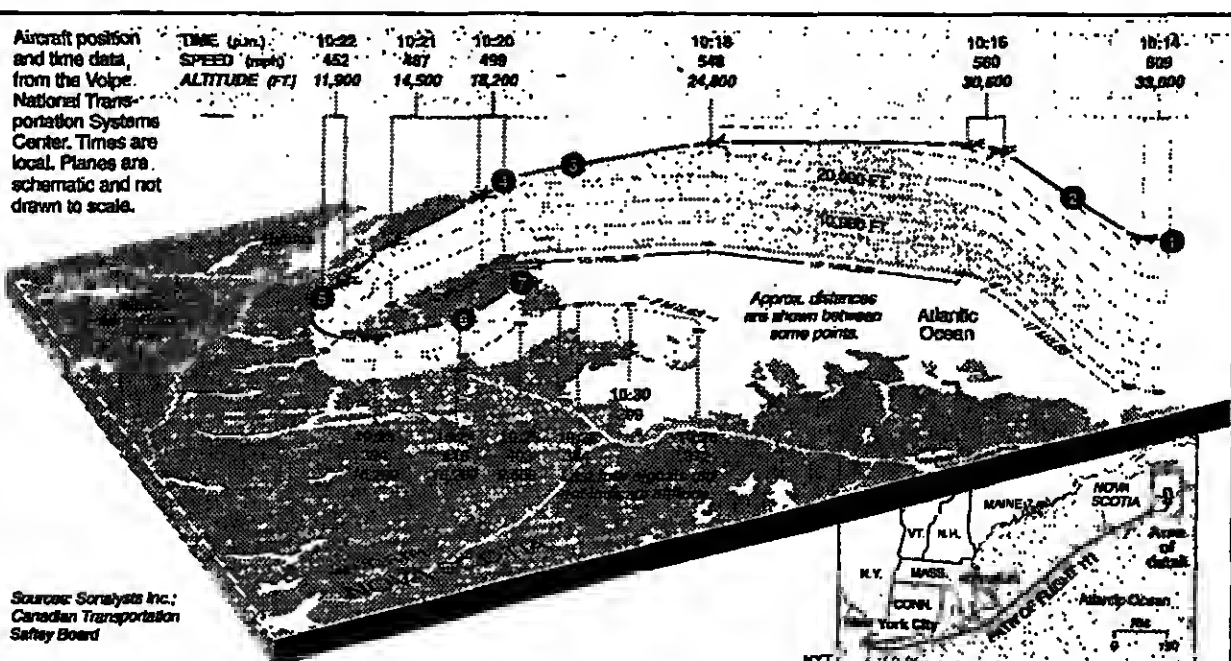
Alan Wolk, a U.S. pilot and aviation lawyer, said Sunday that Flight 111's pilot, Urs Zimmermann, showed an initial lack of urgency and should have begun an emergency descent sooner.

"The MD-11 could have been landed overweight without difficulty," he said. "We have learned from aircraft fires historically that the only procedure that has a chance of avoiding an accident is the quickest possible descent and landing."

At a military air base outside Halifax, pathologists continued the grim and technically difficult task of trying to identify the badly fragmented human remains that have been retrieved from the crash site thus far.

John Butt, Nova Scotia's chief medical examiner, said he had been groping for gentle ways to convey to the victims' families that few of them would get mostly intact bodies of their loved ones.

Dr. Butt also said he had been seeking advice from the medical officials who handled body identification after the crash of TWA Flight 800 off the south shore of New York's Long Island.



An Emergency Call

Excerpts from the conversation between the crew of Swissair Flight 111 and air traffic controllers.

SWISSAIR 111: Swissair 111 heavy is declaring Pan-pan-pan. We have smoke in the cockpit, request divert. Immediate right turn to a convenient place, I guess Boston.

CONTROLLER: Would you prefer to go into Halifax? 111 Alternative for Swissair 111, prefer Halifax from our position.

CONTROLLER: O.K., active run way at Halifax is zero-zero. Should I start you on vector for slot?

SWISSAIR 111: Yes, vector for slot will be fine. Swissair 111 heavy.

CONTROLLER: Turn left heading zero-three-zero. Turn left heading zero-three-zero.

CONTROLLER: ...you've got 30 miles to fly to the threshold. We need more than 30 miles...

CONTROLLER: ...turn left ... to lose some altitude 111... Roger, we are turning left.

SWISSAIR 111: We must dump some fuel. We may do that in this area during descent.

CONTROLLER: O.K. In U.S. we are able for a left or right turn toward the south to dump.

CONTROLLER: Roger, turn left heading of 200 degrees and advise me when you are ready to dump.

SWISSAIR 111: We are declaring an emergency at the time zero-one-two-four... We are starting vent now. We have to land immediately.

CONTROLLER: Swissair 111, you are cleared to commence your fuel dump on that track and advise me when that dump is completed.

CONTROLLER: Swissair 111, check, you are cleared to start fuel dump.

About six minutes later the plane crashed into the water.

WEATHER

Forecast for Wednesday through Friday, as provided by AccuWeather.

Europe	Today	Low	High	Tomorrow	Low	High
Algeria	65/75	65	75	65/75	65	75
Amsterdam	55/65	55	65	55/65	55	65
Athens	65/75	65	75	65/75	65	75
Bangkok	75/85	75	85	75/85	75	85
Bombay	75/85	75	85	75/85	75	85
Buenos Aires	65/75	65	75	65/75	65	75
Calcutta	75/85	75	85	75/85	75	85
Chengdu	65/75	65	75	65/75	65	75
Colon	75/85	75	85	75/85	75	85
Hong Kong	75/85	75	85	75/85	75	85
London	55/65	55	65	55/65	55	65
Los Angeles	65/75	65	75	65/75	65	75
Manila	75/85	75	85	75/85	75	85
Medan	75/85	75	85	75/85	75	85
Mumbai	75/85	75	85	75/85	75	85
Osaka	65/75	65	75	65/75	65	75
Paris	55/65	55	65	55/65	55	65
Perth	65/75	65	75	65/75	65	75
Port of Spain	65/75	65	75	65/75	65	75
Rangoon	75/85	75	85	75/85	75	85
San Francisco	55/65	55	65	55/65	55	65
Singapore	75/85	75	85	75/85	75	85
Sydney	65/75	65	75	65/75	65	75
Taipei	65/75	65	75	65/75	65	75
Tokyo	65/75	65	75	65/75	65	75
Yokohama	65/75	65	75	65/75	65	75

North America	Today	Low	High	Tomorrow	Low	High
Alaska	45/55	45	55	45/55	45	55
Arizona	65/75	65	75	65/75	65	75
California	65/75	65	75	65/75	65	75
Colorado	65/75	65	75	65/75	65	75
Connecticut	55/65	55	65	55/65	55	65
Delaware	55/65	55	65	55/65	55	65
District of Columbia	55/65	55	65	55/65	55	65
Florida	65/75	65	75	65/75	65	75
Georgia	65/75	65	75	65/75	65	75
Hawaii	65/75	65	75	65/75	65	75
Idaho	55/65	55	65	55/65	55	65
Illinois	55/65	55	65	55/65	55	65
Indiana	55/65	55	65	55/65	55	65
Iowa	55/65	55	65	55/65	55	65
Kansas	55/65	55	65	55/65	55	65
Kentucky	55/65	55	65	55/65	55	65
Louisiana	65/75	65	75	65/75	65	75
Maine	55/65	55	65	55/65	55	65
Maryland	55/65	55	65	55/65	55	65
Massachusetts	55/65	55	65	55/65	55	65
Michigan	55/65	55	65	55/65	55	65
Minnesota	55/65	55	65	55/65	55	65
Mississippi	65/75	65	75	65/75	65	75
Missouri	55/65	55	65	55/65	55	65
Montana	55/65	55	65	55/65	55	65
Nebraska	55/65	55	65	55/65	55	65
Nevada	65/75	65	75	65/75	65	75
New Hampshire	55/65	55	65	55/65	55	65
New Jersey	55/65	55	65	55/65	55	65
New Mexico	65/75	65	75	65/75	65	75
New York	55/65	55	65	55/65	55	65
North Carolina	65/75	65	75	65/75	65	75
North Dakota	55/65	55	65	55/65	55	65
Ohio	55/65	55	65	55/65	55	65
Oklahoma	55/65	55	65	55/65	55	65
Oregon	55/65	55	65	55/65	55	65
Pennsylvania	55/65	55	65	55/65	55	65
Rhode Island	55/65	55	65	55/65	55	65
South Carolina	65/75	65	75	65/75	65	75
South Dakota	55/65	55	65	55/65	55	65
Tennessee	65/75	65	75	65/75	65	75
Texas	65/75	65	75	65/75	65	75
Vermont	55/65	55	65	55/65	55	65
Virginia	55/65	55	65	55/65	55	65
Washington	55/65	55	65	55/65	55	65
West Virginia	55/65	55	65	55/65	55	65
Wisconsin	55/65	55	65	55/65	55	65
Wyoming	55/65	55	65	55/65	55	65

Place	Today		Tomorrow		
	High C/F	Low W	High C/F	Low W	
Algeria	31/68	13/55	25/77	11/52	pc
Amman	39/68	29/71	35/68	27/71	pc
Bangkok	33/81	23/77	33/81	26/78	pc
Bombay	39/81	27/78	35/81	26/78	pc
Buenos Aires	30/80	25/82	35/79	27/80	pc
Calcutta	30/81	27/80	35/91	27/83	pc
Chengdu	31/88	22/71	31/86	23/75	pc
Colon	28/84	20/70	20/84	24/75	pc
Hong Kong	29/85	25/77	31/88	27/80	pc
Los Angeles	36/88	24/75	35/91	24/75	pc
Manila	31/86	23/72	34/83	25/73	pc
Medan	37/88	21/80	35/100	25/81	pc

THE AMERICAS

Turned-Off Voters May Shun Polls

Both Parties Seek to Rally Their Troops for High-Stakes Election

By David S. Broder and Thomas B. Edsall
Washington Post Service

WASHINGTON — The prospect of a high-stakes but low-turnout election for the House and Senate has both parties scrambling to rally their own most reliable voters to the polls on Nov. 3.

Most signs suggest that the demographics of a shrunken electorate, if it turns out that way, will favor the Republicans. The higher the income and education levels, the more likely people are to vote.

In addition, recent polls indicate that the highest levels of interest in the outcome can be found among those angry at President Bill Clinton and conservative religious voters placing top priority on moral values. Women, who have tended to favor Democrats, are more likely to stay home.

As a consequence, fewer and fewer Democrats cling to the notion of salvaging their once-bright hopes for gains in the House, and most are focused more on avoiding losses on the scale of the 1994 rout.

Faced with the prospect of an all-time low turnout, campaigns from both sides now are worrying mainly about those people likely to cast a

ballot. Some analysts predict that the number of eligible voters who actually vote could drop beneath the 36 percent seen in two of the last three midterm elections.

"Who cares what every adult thinks?" asked a Republican strategist. "It's totally not germane to this election."

In the next eight weeks, phone banks and targeted mailings will be the weapons of choice. Expensive TV ads may be wasted because most viewers will not vote.

The battle — between Republicans seeking to convert fragile majorities into a firm command of Congress and Democrats struggling to hold their own — will in all likelihood be determined by tiny slices of the electorate.

Slight upticks or downturns in the participation of such groups as Christian conservatives, union members, middle-aged white men and single working women can make all the difference.

Older voters also loom disproportionately large in a low-turnout year, and Democrats are hoping that the turmoil in the stock market will enhance their ability to make bogeymen of Republicans who advocate "privatizing" Social Security retirement benefits and investing those

funds in stocks.

Steve Rosenthal, the AFL-CIO political director, said, "I'm not sure that issue is enough to offset all the pro-Republican voting demographics, but if we handle it right, it has the potential to be as strong for us as Medicare" was in past campaigns.

Democrats also hope the unexpected success of organized labor in turning out voters from union households in the California primary, when an anti-union initiative was on the ballot, can be repeated nationally this fall.

But they fear that the focus on Mr. Clinton's admission of an improper relationship with Monica Lewinsky may block their ability to get through to voters on Social Security, education and reform of health maintenance organizations — their favorite issues.

Republicans, in turn, are moving aggressively to turn the Clinton scandal into a powerful weapon to build turnout among those angry at the president. A poll released Friday by Dan Lungren, the

Republican candidate for governor of California, said that among likely voters, 10 percent more Republicans than Democrats express a strong interest in the coming election.

The prizes for those who can bolster turnout of core supporters or suppress it among hostile constituencies can be enormous.

In Washington, the election will decide whether Republicans expand their shaky 11-vote margin in the House into a solid majority and add enough Senate seats to reach 60, which allows them firm control of the Senate.

In individual states, the political stakes are even larger. The winners of the 36 gubernatorial elections and the legislative battles will be, after the 2000 census, in a position to determine how the lines are drawn for congressional and legislative districts throughout the first decade of the new millennium.

In addition, they will be in a position to provide organized support for their party's presidential nominee in 2000.



INDEPENDENCE DAY — Pedro Zylberstajn, 6, saluting at a Brasilia parade Monday between his grandfather, President Fernando Henrique Cardoso, left, and Zenildo Zoroastro de Lucena, army chief of staff.

POLITICAL NOTES

Bradley Plots Presidential Run

SURF CITY, New Jersey — In his Hall of Fame career with the New York Knicks, Bill Bradley lacked the insouciant grace of a natural athlete. Instead, his was the precise rhythms of a workaholic who had practiced every move, from his signature pull-up jumpers to his scoop shots and reverse dribbles, hundreds of thousands of times.

So it is these days with Bill Bradley the politician. In his methodical way, Mr. Bradley, 35, has begun building the architecture for a presidential campaign in 2000, piece by tiny piece. Though he says he has not decided whether to run — he says he will make up his mind by the end of the year — he is talking more seriously about it with close advisers, and taking more concrete steps to prepare for it, than at any other time since 1988, when he was first mentioned as a possible presidential contender.

Mr. Bradley's advisers say that his goal is to have a shadow campaign in place so that if he does run, he will be able to assemble quickly a powerful political and fund-raising network. He will need one to compete with other likely Democratic candidates who have been building campaign machines for years, particularly Vice President Al Gore.

"This is not just him flirting with the idea" of running for president, said Representative Robert Menendez, Democrat of New Jersey, a friend of Mr. Bradley. "This is someone who has steadfastly plodded along toward that goal. He is just doing it in his Bradleyesque way." (NYT)

Republicans Relish Gore's Woes

INDIANAPOLIS — At a House subcommittee hearing here the other day, Representative Mark Souder, Republican of Indiana, complained that Vice President Al Gore, or "Mr. Technowiz" as he called him, was not providing leadership in resolving the year 2000 computer programming problem, known as Y2K.

"Unfortunately," replied the hearing's opening witness, Steve Forbes, the magazine publisher, "he's sweating on other things." The audience laughed knowingly.

For Mr. Forbes and other potential Republican presidential contenders in 2000, the fact that Mr. Gore is "sweating on other things" — be it the evolving fallout from the Monica Lewinsky scandal or a preliminary campaign finance investigation centered on the vice president himself — is far from unfortunate. Suddenly, Mr. Gore, still the clear favorite to win the Democratic nomination, seems less formidable than he did a few months ago — and the Republican presidential nomination more enticing.

Greg Stevens, a Republican consultant, said, "This, of course, can all change, but I do think there is a sense out there that Republicans are going to reap big benefits from this and if the Republicans nominate a good candidate, we're going to be in the White House." (WP)

Away From Politics

- A Lowell, Massachusetts, hospital has fired two nurses and suspended two other workers after a new mother was given the wrong baby to nurse. HIV and other viruses can be contracted through transmission of bodily fluids such as breast milk. (AP)
- Pikes Peak, a beacon to pioneers and gold seekers in the Old West, is being wrecked by runoff from the gravel road 300,000 sightseers use each year to reach its 14,110-foot (4,300-meter) summit, environmentalists say. The Sierra Club is suing the city of Colorado Springs and the U.S. Forest Service to force them to pave the 19-mile road. (AP)
- Two people were killed when wind from severe thunderstorms toppled a tree onto their tent at the New York State Fair in downtown Syracuse. The state fair was canceled as heavy hail, rain and lightning battered the central part of the state, where meteorologists clocked 75-mph (120-kilometer-per-hour) winds. (AP)



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HURGHADA
JEDDAH
MAONAH
MAKKAH
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PETRA
RIYADH
TAIF
TEL AVIV
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ABIDJAN
CAPE TOWN
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ASIA/PACIFIC

Malaysia Street Politics Are Revived by Anwar

Supporters Flock to Hear Ousted Minister

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — Something peculiar is happening at a large house in a posh neighborhood of the Malaysian capital and no one quite knows what to make of it.

Anwar Ibrahim, dismissed last week as Malaysia's second most powerful man in government, is drawing nightly crowds of hundreds of supporters, greeting them in his slippers and delivering eloquent sermons on political reform and the need to wipe out corruption.

Malaysia has not seen this kind of street politics in decades.

On Monday night, Mr. Anwar addressed the largest crowd since Prime Minister Mahathir bin Mohamad removed him as the country's deputy prime minister and finance minister. Several thousand people stood in his yard and in the streets around his home, occasionally chanting "Reformasi Reformasi!" — the rallying cry of the Indonesian student movement.

Any political comeback for Mr. Anwar, 51, is viewed as extremely difficult. He is both outside government and has been ousted from the party that brought him political power. But Mr. Anwar, whose support among the Malay majority in the country still runs deep, now poses a populist threat to the government.

He is also a personal embarrassment to Mr. Mahathir as Malaysia plans to be host to thousands of athletes and spectators later this week for the Commonwealth Games.

Mr. Anwar, who says he is afraid to leave his house for fear of arrest, had the same message Monday as previous nights: He vowed to "fight until the end" and he refuted the allegations of sedition, treason, and sexual indiscretion — all of which police say they are investigating.

"I have a family. I have a wife and children. I have friends and supporters," he said in the cadence of preacher. "And now you insult them. You deny them from knowing the truth. What kind of justice is that?"

In the crowd were engineers, accountants and marketing executives, a stock boy at a local Coca Cola bottling plant and students. Many said they came to

hear Mr. Anwar's side of the story. Jamal, 31, a marketing student in a masters program, said he had come to listen to Mr. Anwar speak every day since he was ousted from the government. "We cannot rely on newspapers for news," he said, cradling his two-year-old son in his arms.

A woman in a blue floral dress who refused to give her name said she came to find out "the truth about why he was sacked."

The size of the crowd on Monday was unusual for Malaysia, where overt and vociferous political dissent has not been tolerated during the past few decades.

"Street politics died in 1974," said Syed Husin Ali, a government critic who was detained by police that year following demonstrations on campuses protesting poverty in the country.

Hauled off to prison with him was Mr. Anwar, at the time a leader of a radical Islamic student movement. Mr. Anwar spent 22 months in prison. Mr. Syed six years.

"I think there will be quite a substantial grass-roots following for him," Mr. Syed said of Mr. Anwar. "That might be able to change the face of things in Malaysia." On Monday, an Islamic student group, which claims a membership of 100,000, said it was "100 percent behind Anwar." Mr. Mahathir, meanwhile, has taken total control over the government. On Monday, he appointed himself finance minister and chose a close political ally to run the central bank. Mr. Mahathir is also in charge of the Home Ministry, which includes the national police force.

Perhaps more important for Mr. Anwar, the prime minister also keeps a close eye on the country's newspapers and television stations. In 1987, during the last period of political uncertainty and the last economic downturn, three newspapers were shut down by Mr. Mahathir's government.

Mr. Anwar says he is not deterred. "The more the newspapers attack us, the bigger the crowd," he said over the weekend. "People have opened up their eyes, no matter how strong the propaganda is. We are dealing with a new breed of Malaysians. They read but they do not believe. This is a healthy sign for Malaysia."



Riot police blocking off a Phnom Penh street Monday as student sought to march against Hun Sen's crackdown on protesters who have challenged the victory by the prime minister's party in July elections.

CAMBODIA: Gunfire in Phnom Penh as Hun Sen Cracks Down

Continued from Page 1

parliamentary election, held July 26, in which Mr. Hun Sen was declared the winner.

Prince Ranariddh and Mr. Sam Rainsy say that the election was marred by irregularities. They are demanding a review of the ballots and new voting in areas where they question the results.

They have said they will block the formation of a new government at the end of this month by denying Mr. Hun Sen the coalition he needs to gain the required two-thirds of parliamentary seats.

The official election results gave Mr. Hun Sen's party 64 seats, Prince Ranariddh's party 43 seats and Mr. Sam Rainsy's party 15 seats in the 122-seat National Assembly.

The turmoil Monday erupted when three hand grenades were thrown at Mr. Hun Sen's residence.

Mr. Hun Sen rarely stays at his Phnom Penh house, preferring a palatial, heavily guarded compound south of the city. For the past several days he has been in

the northern city of Siem Reap for highly publicized meetings with King Norodom Sihanouk.

Speaking angrily at a news conference in Siem Reap, Mr. Hun Sen immediately said the grenade attack appeared to be a coup attempt.

"The arrests are to start from this hour," he said. "How many people will be arrested is up to the prosecutors to decide. We urge the people who are to be arrested not to resist."

Speaking of Mr. Sam Rainsy, he said, "They called for soldiers, police to shoot me, to overthrow me. They called on the United States to fire missiles at my house. But when he could not succeed, he used this act of terrorism. So I think it has come to a stage where legal action must be taken against this terrorist leader."

Police Fire Into Air Near Crowd

Military police fired hundreds of shots into the air to disperse about 600 people gathered near the luxury hotel where Sam Rainsy, the main target of Hun Sen's crackdown, was taking refuge, The Associated Press reported.

The authorities said the grenades had been thrown from one or two passing motorcycles over the gates of Mr. Hun Sen's residence in the capital. No one was injured, and the only damage appeared to be a shattered window.

Shortly after the attack, Mr. Hun Sen said there was "already a request" for the immediate arrest of Mr. Sam Rainsy. Prince Ranariddh, whom Mr. Hun Sen deposed as first prime minister in a coup last year, also could be arrested, he said.

Mr. Sam Rainsy's supporters were gathered outside the hotel where the opposition leader was meeting with UN officials when about 30 military police arrived and began scuffling with bystanders and later, shooting into the air.

Mr. Sam Rainsy's party said that it had no information about the grenade attack and that any arrest would violate an agreement with Secretary-General Kofi Annan of the United Nations that opposition leaders who fled after the coup could return to freely contest the elections.

Mr. Hun Sen earlier gave another group of protesters near the National Assembly until midnight to clear out.

INDONESIA: Students Demonstrate

Continued from Page 1

that he had spirited money away to banks abroad. He and his family and cronies are under investigation for the wealth they acquired over the past three decades.

The official Antara news agency reported that rioting broke out Monday in the town of Kebumen on the main island of Java after a dispute erupted with an ethnic Chinese businessman. Ethnic Chinese are often targeted because they are perceived as being more wealthy. At least nine shops were set ablaze and troops were dispatched to contain the unrest.

There were no immediate reports of injuries. Several riots have erupted in recent weeks as Indonesians struggle with mounting unemployment and high prices as the result of an economic crisis that broke out last year. The International Labor Organization estimates that up to two-thirds of the 200 million people in Indonesia will be living below the poverty line by the end of next year.

Demonstrators in Jakarta demanded that the government lower prices. At least 1,000 protesters turned out earlier in the day but by nightfall only about 300 demonstrators remained at the Parliament building in a stand-off with riot police. Security forces sat on the ground, holding riot shields in front of them to prevent the students from passing the gate.

Some demonstrators, however, walked past soldiers sleeping on their flak jackets on the grass and milled around the Parliament grounds in an atmosphere that lacked the tension and broad support of the protests in May.

In Bangladesh's Epic Flood, No Haven

With Half of Nation Submerged and Rice Destroyed, Disease Looms

By Celia W. Dugger
New York Times Service

CHOR SHIBOLA, Bangladesh — For two months, the people of this village have been marooned on the tin roofs of their shacks, unwilling to abandon their homesteads even as the Jamuna River engulfed them in the longest-lasting flood in the history of this disaster-prone country.

Mohammed Harunuddin Sheikh and his wife, Sofia, keep all-night vigils to make sure their daughters, Taslima, 4, and Shujon, 2, do not roll off the platform where they sleep and drown in the tea-brown water that laps a few feet below.

"I don't know how God will save us," he said as he gestured at the vast expanse of water surrounding his home. "All my crops were destroyed. Where will I get seeds to plant next year?"

These villagers are among more than 20 million Bangladeshis whose homes have been swamped by monsoon floods that have lasted almost two months, twice as long as any other recorded.

The waters have inundated more than half the country, killed more than 520 people, closed many roads, damaged more than 4,000 schools, wiped out a big chunk of the rice crop and threaten to bring deadly diarrhea and other diseases.

In an interview, the prime minister, Sheikh Hasina Wazed, pleaded for international aid. So far, relief agencies and foreign donors have pledged \$82 million, but that is less than a tenth of

what she has requested in food, medicine and reconstruction of Bangladesh, one of the poorest nations on earth.

"Without help, the people will suffer," she said. "At first we thought we would be able to address this situation alone. But the flood has stayed on for two months."

Relief officials here worry that the need to help the victims of the epic flooding in China, the famine in Sudan and war in Congo has slowed the response to Bangladesh's calamity.

The misery is not limited to the countryside. More than half of Dhaka, a capital of 9 million people, is flooded — including its landfills. With no place to dump garbage, people are throwing it into the putrid floodwaters. And since the poor have no toilets, the waters are soiled with their waste.

"Water is everywhere, but you can't use it for any purpose," said Mohammed Rezauddin, who directs the Dhaka division of the national Department of Environment.

Slum dwellers especially have no escape. In places the water has turned black and thick, but people still wade through it and wash their dishes in it and even drink it.

Already more than 130,000 Bangladeshis have developed diarrhea, a wasting condition spread by foul water and rotting food, and more than 100 have died of the disease. The World Bank estimates that 3.5 million of the 125 million Bangladeshis will be afflicted with diarrhea during the flood and its aftermath.

The incidence will increase after the floods recede because of the filthy sludge left behind.

At the International Center for Diarrheal Disease and Research, hundreds of babies and children lie listless or squalling on cots.

Alea Begum, a widow, brought in her son, Moimen, 12, and she now rests her hand on his bony chest. He is frighteningly still.

This wraith of a boy, his eyes overlarge in a gaunt face, is the family breadwinner because his father is dead. Each day he sloshed into the floodwaters to catch fish with his bare hands. Some days he caught nothing.

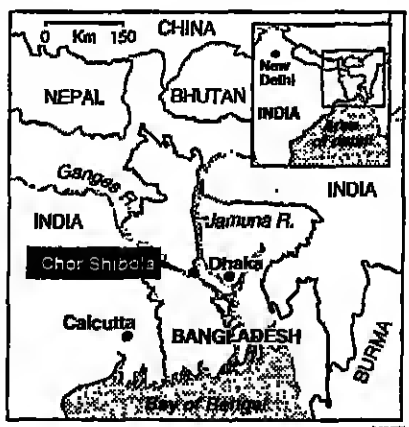
On others he managed to snare enough fish to sell for 25 taka, about 50 cents. That kept him, his mother and his two little sisters from always going hungry.

The causes of this disaster are in some ways as murky as the water.

Bangladesh has had heavier than usual monsoon rains this year, but most of the floodwater has come from the great rivers that rise in the Himalayas, course through India, then empty into Bangladesh.

Torrential rains in Uttar Pradesh, in northern India, have contributed to extensive flooding there, killing more than 1,000, leaving millions homeless and swelling the Ganges as it rushes through the Indian plains toward Bangladesh.

Officials said Sunday that the Ganges had risen past its highest recorded level, surpassing the crest reached in 1988 when floods killed more than 2,000



BURMA: Military Rounds Up 110 Members of Dissident Party

Continued from Page 1

power in Burma. The same tactic of isolating potential troublemakers appeared to be the government's central motivation for the arrests Sunday and Monday and for its swift police action to contain and isolate student protesters in recent weeks. In past years, student unrest has sparked national uprisings.

One Rangoon-based diplomat said that the government "is fully aware that organized unrest must quickly be isolated within the capital so it won't spread."

"That is why they split up the university campuses and have encouraged people to move to townships across the river," the diplomat said by telephone.

Authorities have reacted quickly to recent student unrest by ringing campuses with riot police and locking protesters inside.

A Bangkok-based Burma analyst said, "The most dangerous thing I see for stability is not in Rangoon, but unrest in Mandalay which could then spread to nearby towns, draw in the armed ethnic insurgents and reduce the government to controlling little more than the capital."

While sketching out scenarios that could lead to destabilization on a national scale, the Burma analyst and others emphasized that strife among the core of leading generals would most likely be the

only sign of instability in the near term, though not even that was certain.

"The fact of the matter is that few people apart from the military want to preserve the status quo," a Rangoon-based analyst said. "But they have the guns and the discipline and I would not want to underestimate their ability to enforce order."

Beyond turmoil among the inner circle of generals, analysts and diplomats said it was possible the country's economic collapse could drive maverick provincial commanders to sever ties with the central government.

Some described a scenario where portions of the disciplined but poorly paid Burmese Army would break off from control by Rangoon, with regional commanders forming personal fiefdoms and alliances with armed insurgent groups. Burma has a long history of warlordism and many commanders are already responsible for raising most of the funds necessary to feed and finance the soldiers under their command.

Burma is home to some of the world's longest running insurgency movements and has been described as a potential Yugoslavia of ethnic-based strife.

While the Rangoon government is proud of arranging cease-fires with all but one of Burma's 16 armed insurgent groups, most of these ethnic minorities have kept their military command structure and all their weapons.

The fragile cease-fire agreements will come under further strain as a cash shortage makes it difficult for Rangoon to deliver on promises of economic development.

Many of the road projects tied to the cease-fire pacts with ethnic groups have been delayed or already have fallen through. In addition to straining cease-fires, one diplomat said that failed promises of economic aid from Rangoon would increase dependence of northern ethnic groups on their traditional cash crop, opium.

Burma is a devoutly religious country and Buddhist temples have long been fertile ground for nationalist movements. Monks number among the country's most revered martyrs to independence.

Adolescent Burmese commonly don monk robes for a period of several months, creating a direct link between future student activists and the temples they once served.

Monks in Mandalay, who played a key role in the anti-government demonstrations of 1988, rampaged through the city desecrating mosques in March last year. Diplomats and analysts cite the incident, sparked by improbable rumors, as an example of the country's simmering civil discontent and how monks can spread unrest. Daw Aung San Suu Kyi garners wide respect among the religious community for her ability to embody traditional beliefs.

Seoul Approves Tours of North

SEOUL — South Korea approved plans Monday by the Hyundai conglomerate to offer sightseeing tours of a scenic mountain in North Korea.

The project will be the first major joint venture between the hostile Korean states and give the North a new source of badly needed foreign currency.

"All except some minor details have been set, and the first ship will be able to depart as scheduled," said a Hyundai spokesman, Kim Jong Su.

Hyundai won North Korean approval in June to begin a cruise ship tour to Diamond Mountain, a tourist site on the North's east coast. Hyundai hopes to start sending up to 2,000 tourists a week beginning Sept. 25.

Visitors will be allowed to hike Diamond Mountain, but travel outside the mountain will be banned. The visitors will return to their ships at the end of each day, Hyundai officials said.

(AP)

Hong Kong Airport Probe Opens

HONG KONG — An independent commission opened a 12-week inquiry Monday into the initial chaos at Hong Kong's new Chek Lap Kok airport and was expected to explore the causes for huge cargo-related losses.

The \$20 billion airport, long touted as a state-of-the-art showpiece, became the focus of widespread anger and deep embarrassment for Hong Kong's year-old government when it opened to a host of problems after the first commercial flight landed on July 6.

The commission, formed in late July by the chief executive of Hong Kong, Tung Chee-hwa, is headed by a

senior judge, Woo Kwok-hing. Edgar Cheng, former chairman of the Stock Exchange of Hong Kong, is the other person appointed to the investigating team. (Reuters)

Gunmen Kill Karachi Prosecutor

KARACHI, Pakistan — Gunmen on a motorbike killed a Pakistani lawyer on Monday who is prosecuting two Iranian engineers for murder, the police said.

The lawyer, Sardar Khan, 50, was shot by unidentified gunmen outside a school in Karachi where he had just dropped off his children, the police said. Doctors said he was hit in the neck and chest.

Mr. Khan was scheduled to conclude his arguments at a terrorist court Monday against seven members of a militant Sunni faction who were arrested for the murder of two Iranian engineers last February.

The Iranians, who were working on a construction bridge, were shot and killed as they were strolling near the project site. (Reuters)

Manila Posts Dengue Fever Toll

MANILA — At least 202 people have died in the Philippines of dengue fever, and more than 11,200 others have been hospitalized with the disease in the first eight months of this year, the Department of Health said Monday.

The department revised the toll after reports from rural areas reached Manila, and said it did not reflect a major surge in the disease. Last month, it said 114 people had died and more than 7,750 had been hospitalized because of dengue fever. (AP)

A Cambodia Who Disdains 'Rotten People' Rotten System

PHNOM PENH — In a country where the government has been accused of human rights abuses, a Cambodian leader has emerged who disdains the "rotten people" and the "rotten system" that has plagued the nation since the fall of the Khmer Rouge regime.

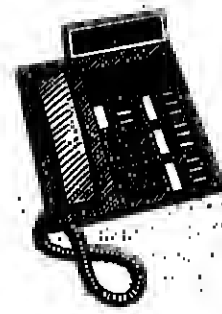
The leader, who has been in the country for several years, has been seen as a beacon of hope for many Cambodians who are tired of the corruption and inefficiency of the current government.

He has been seen as a man who is not afraid to speak the truth, even when it is unpopular. He has been seen as a man who is not afraid to stand up to the powerful, even when it costs him his life.

His name is not known to many people, but his actions are well known. He has been seen as a man who is not afraid to take risks, even when it means risking his own life.

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INTERNATIONAL

Sketches of the Other Summit, Way South: The Comic and the Serious

By Donald G. McNeil Jr.
New York Times Service

JOHANNESBURG — Meanwhile, 10,000 kilometers to the south...

While President Bill Clinton, representative of the world's lone superpower, was in Moscow last week bearing Boris Yeltsin, master of a former superpower, leaders from 113 countries were holding another summit meeting in Durban, South Africa.

It was the 12th meeting of the Non-aligned Movement, which was founded in 1961, largely at the urging of India,

Indonesia and Yugoslavia, as a forum for nations that were neither pro-U.S. nor pro-Soviet and considered themselves the blades of grass that suffer whenever elephants got together in Moscow and Washington.

With the Cold War past, the week began with reporters pestering them with the question: "Nonaligned to what?"

The diplomats had a ready answer: Nonaligned to a world that still reflects post-World War II and colonialist priorities. Nonaligned to a global economy in which small countries lose their shirts overnight when speculators dump their

currency. Nonaligned to a United Nations where the Big Five still have the veto and will risk their soldiers' lives in Bosnia but not in Congo or Rwanda.

As the week went on, the official agenda was eclipsed by talks about the Congo war. As they ended with no ceasefire and talk about further talks, the focus shifted back to the main event.

The chief issues the delegates were said to be discussing were not those topping the Clinton-Yeltsin agenda in Moscow. Besides Congo, they included U.S. cruise missile attacks on sites in Afghanistan and Sudan, the switch by

India and Pakistan from nonnuclear to nuclear states and Libya's hesitation to send suspects in the Lockerbie plane bombing to the Netherlands for trial.

But none had to take the word of leaders. Because most of the Nonaligned Movement's countries are less than open, reporters were barred from the hall where they were meeting. Instead, reporters sat in rows at a cavernous exhibit hall nearby, trying to arrange interviews with delegates by calling their South African military escorts.

"You would get better credentials if you were from your government's

press," a young woman at the accreditation booth told frustrated reporters.

Officials from a few nations deigned to cross the street to speak to the press.

Pierre Buyoya, the president of Burundi, who came to power in a 1996 coup, appeared to plug his new autobiography, "Mission Possible." A Thai diplomat came to endorse a candidate. A Congolese delegation got into a scuffle with a self-proclaimed transition government of Congolese exiles who had sneaked in past security.

But there were some serious moments.

The foreign minister of Sudan came to outline his request that the summit meeting demand a UN inspection of the factory destroyed by a U.S. cruise missile Aug. 20 to determine whether it produced chemical weapons or pharmaceuticals.

The minister, Mustafa Ismail, had wanted to show slides of the destruction, but the news conference room had been adorned with potted palms and ficus, blocking its screens. As Mr. Ismail tried to leave, he was mobbed by journalists desperate for quotes that he stepped off the dais into the scenery, crushing a pot of chrysanthemums.

BRIEFLY

5 Die in Explosion Outside of Algiers

ALGIERS — Five people were killed and 11 injured when a bomb exploded southwest of Algiers on Sunday night, Algerian security forces said Monday. Newspapers reported that at least 21 people had died in other incidents over the weekend.

Security forces said that the homemade bomb exploded in the village of Mechraa-Sfa in Taret Province, about 200 kilometers (120 miles) southwest of Algiers. The forces did not say who might be responsible. After the bombing, a number of radical Islamist rebels were killed in shoot-outs with security forces. Algeria has been torn by violence since 1992, when the authorities canceled an election in which the Islamists had taken a commanding lead. (Reuters)

South Africa Panel May Press Charges

CAPE TOWN — The final report of the Truth and Reconciliation Commission of South Africa, which is investigating apartheid crimes, might recommend prosecution for alleged human rights violations, the Department of Justice said Monday.

The commission said it had been sending out letters to several hundred South Africans warning them that its final report could make negative findings against them. The Sunday Times of South Africa reported that among those notified were former President Pieter W. Botha and Winnie Madikizela-Mandela, the ex-wife of President Nelson Mandela. (Reuters)

King Fahd Returns To Saudi Cabinet

RIYADH — King Fahd of Saudi Arabia headed the weekly cabinet meeting Monday for the first time since undergoing gallbladder surgery last month, the Saudi Press Agency reported.

King Fahd, who is in his mid-70s, had his gallbladder removed on Aug. 12. He has been admitted to the hospital four times this year, the last of which was Aug. 23, when he underwent medical checkups.

King Fahd's health has been the source of much speculation since he suffered a stroke in November 1995 and temporarily handed over power to his half-brother, Crown Prince Abdullah, who is known to be far less pro-American than King Fahd. (AP)

Nigeria Unveils Constitution; Privatization to Begin Shortly

Compiled by Our Staff From Dispatches

ABUJA, Nigeria — Nigeria's military ruler promised greater political and economic openness Monday as he made public the country's draft constitution and said privatization would soon start.

The military ruler, General Abdulsalam Abubakar, holding his first news conference in Nigeria since taking office in June, also said that those who misused funds during the rule of his late predecessor were under investigation and that foreign countries were helping track down missing cash.

The news conference itself marked a change from the corrupt and secretive administration of the dictator Sani Abacha who died suddenly on June 8 as he headed toward already discredited elections as the sole candidate.

"This administration is committed to instilling transparency, accountability and probity in public life," said General Abubakar, 56.

After three years of being kept under wraps by General Abacha, General Abubakar made public the 204-page draft constitution that will guide Africa's most populous nation after an elected, civilian government takes over in May.

Before its promulgation by the military Provisional Ruling Council, General Abubakar asked Nigerians to make known their opinions of its contents for possible changes.

Three months after coming to power, General Abubakar has won plaudits from many in the oil-producing country of 104 million as well as Western countries for freeing scores of political prisoners and promising fair elections.

After producing emergency relief for the underfunded oil industry, General Abubakar has also pledged that the economy will be liberalized while he is in office — long a demand of international lenders who hold the key to a possible rescheduling of debts of about \$30 billion.

He said all laws that inhibit competition would be scrapped by the end of the year while a decree would soon be put in place to allow privatization of state enterprises whose failure has crippled the economy.

General Abubakar for the first time confirmed reports that security agencies were investigating the disappearance and misuse of hundreds of millions of dollars during General Abacha's rule and trying to recover funds stashed in overseas accounts.

"All those that have been questioned have cooperated and voluntarily refunded some monies which are being kept in a special account at the central bank," he said.

Taking advantage of the easy-going atmosphere of General Abubakar's news conference, reporters asked him to clarify his preference for the spelling of his first name, which has appeared variously as Abdulsalam, Abdulsalam and Abdussalam since he took office.

He replied that he should be known as General Abdulsalam Abubakar. (Reuters, AP)



Arthur Z'ahidi Ngoma, left, a top official of the Congolese rebels, arriving at the talks Monday with another rebel leader, Bizima Karaha, a former foreign minister.

Congo Talks Exclude Rebels

Insurgents Are to Be Consulted on the Sidelines

VICTORIA FALLS, Zimbabwe — African leaders seeking to bring peace to Congo decided Monday not to meet directly with rebels who arrived earlier in Zimbabwe for the first gathering of all the warring forces.

A source at the meeting in the resort town of Victoria Falls said the rebel delegation would be invited to consult with the seven governments involved in the meeting on the month-old conflict in the Democratic Republic of the Congo, but not to join them at the table.

The talks, with President Robert Mugabe of Zimbabwe playing host, are the first to gather President Laurent Kabila of Congo and his allies, Zimbabwe, Angola and Namibia, in the same location as the rebels and their backers, Uganda and Rwanda.

Mr. Kabila accuses Uganda of co-sponsoring with Rwanda a Tutsi-led rebellion against his government, which took power 16 months ago after defeating the dictator Mobutu Sese Seko.

In Congo, meanwhile, there was no sign of a lull in the fighting.

A six-member rebel delegation led by Arthur Z'ahidi Ngoma, deputy president of the Congolese Democratic Coalition, arrived in the early afternoon.

The seven countries fighting in Congo earlier began a meeting under the chairmanship of President Frederick Chiluba of Zambia, who was judged the most neutral participant.

Smith Africa, current leader of the Southern African Development Community, which has tried repeatedly to negotiate a Congo settlement, was not represented at the meeting.

"The position of the summit, which was

pushed by Angola, Zimbabwe and Namibia, is that the rebels should not be allowed to join the talks, but could hold consultations on the sidelines of the summit," the source said.

"When Rwanda threatened to walk out if rebels were not allowed in, dos Santos said he would leave if the rebels did come in," he added, referring to President Jose Eduardo dos Santos of Angola.

Mr. Mugabe cleared the way for the meeting during a Nonaligned Movement summit meeting in Durban last week at which President Nelson Mandela of South Africa dropped his objection to the military intervention on Mr. Kabila's behalf.

Meanwhile, Ernest Wamba dia Wamba, political leader of the rebels, said Monday from the rebel headquarters of Gombe that the government or its allies had bombed two rebel-held towns.

"Government planes coming from Kinshasa bombed Kalemie and Lubutu and we are protesting the fact that they are now targeting civilian populations," Mr. Wamba said.

Mr. Wamba said the bombs had missed their target in Kalemie, about 500 kilometers south of Gombe, and had fallen into Lake Tanganyika. He had no details on casualties or damage in Lubutu, a village about 360 kilometers west of Gombe.

In a claim that could not be independently verified, Mr. Wamba said rebel troops were continuing their advance on Kinshasa, which has a large airport and is crucial for transporting weapons and ammunition to the eastern part of the vast country.

In the northeast, rebels were advancing toward Banalia, about 120 kilometers north of Kisangani, Mr. Wamba said.

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EUROPE

Serbs' Detentions in Kosovo Raise a Bosnian Specter

By R. Jeffrey Smith
Washington Post Service

ROME — A senior American official visiting Kosovo says he has obtained firsthand reports that Yugoslav military forces are separating males and females in villages and refugee groups in the Serbian province and taking the men and boys to unknown sites.

Speaking with reporters at the end of a two-day visit to Kosovo, the official, Assistant Secretary of State John Shattuck, said he had raised the issue with the Yugoslav government. He also planned to bring it up again Monday during a meeting in Belgrade with President Slobodan Milosevic.

He said Sunday that the separations occurred recently near the town of Malisevo in central Kosovo. Some of the males were held for several days and released, another American official said, while others are still missing.

The isolation and detention of males is a sensitive issue for Western governments because Serbian military forces did such a thing in the Bosnian town of Srebrenica in 1996 as a prelude to the murder of an estimated 8,000 or more Muslims.

Mr. Shattuck, who traveled to Kosovo with Bob Dole, the former majority leader of the U.S. Senate and Republican presidential candidate, said they had seen "horrendous human rights violations, violations of humanitarian law and acts of punitive destruction on a massive scale."

He said that mortar attacks by government forces on fleeing civilians in the province had become "a common occurrence" and that the number of missing persons was growing daily.

Mr. Dole said: "American and European leaders have pledged not to allow the crimes against humanity which we witnessed in Bosnia to occur in Kosovo. But, from what I have seen this weekend, such crimes are already happening."

Milosevic Promises Red Cross Visits

Mr. Milosevic has promised to allow Red Cross representatives to visit detained ethnic Albanian guerrillas in Kosovo, Reuters reported Monday from Belgrade, quoting Mr. Shattuck.

He said the Yugoslav president had agreed to give the International Committee of the Red Cross access to suspected Kosovo Liberation Army members, some 450 of whom were rounded up in security sweeps in western Kosovo last week.

"We will follow very closely his promise," Mr. Shattuck said. He said Mr. Milosevic was also considering whether to allow independent forensic experts into Kosovo to investigate persistent allegations from both sides in the conflict of atrocities and mass graves.

On Monday, Mr. Dole accused Serbian police and troops, whose summer offensive has driven thousands of Albanians from their homes, of "waging war against civilians for political purposes."

The Yugoslav president asserted that 16,000 refugees were living in the open, compared with an estimate of 80,000 to 120,000 by international humanitarian organizations.

EU Adopts Ban on Yugoslav Flights

European Union governments formally agreed Monday to ban Yugoslav airlines from landing on their territory in a bid to step up the pressure on Belgrade to seek a negotiated settlement to the crisis in Kosovo, Agence France-Presse reported from Brussels.

The action, aimed primarily at the Yugoslav national airline, JAT, was agreed to jointly with the United States in June but had been held up by technical objections from Britain and by Greece, which has close ties to Belgrade.

BRIEFLY

8 Men Are Arrested in Turkey
In Plot to Sell Russian Uranium

ISTANBUL — Turkish police have arrested eight men trying to sell 4.5 kilograms (10 pounds) of mainly unrefined uranium smuggled out of Russia, the state Anatolian news agency said Monday.

The Istanbul police, posing as buyers in a joint operation with Turkish intelligence, detained four Turks, three Kazakhs and an Azerbaijani, the news agency reported.

Highly enriched uranium can be used to make nuclear weapons. The news agency said the seized uranium was mainly unrefined but contained six grams of an active substance wrapped in shielding.

The eight men had wanted \$1 million for the material.

The material was handed over to Turkey's Nuclear Energy Board, it said.

French Minister Is Improving

PARIS — The condition of the French interior minister was said to be improving Monday as questions grew louder about the medical accident that landed him in a coma last week.

In a strongly worded editorial earlier on Monday, Le Monde had demanded more detailed answers from the elite military hospital where Jean-Pierre Chevènement suffered an allergic reaction to anesthesia, causing a severe heart attack followed by a coma.

Mr. Chevènement, 59, a former defense minister and a key figure in the leftist government of Prime Minister Lionel Jospin, had entered the Val de Grace military hospital in Paris for gallbladder surgery.

It is not known whether Mr. Chevènement was tested for an allergy.

The hospital said in a statement Monday afternoon that Mr. Chevènement's health had improved in the previous 48 hours.

But it still did not know what kind of lasting neurological damage he may have suffered, or when he might be taken off life support.

It did not mention the word "coma," but said that he was technically out of shock and that "all the vital organ failures are currently regressing." (AP)

Kohl Rejects 'Grand Coalition'

BONN — Chancellor Helmut Kohl said Monday that his challenger, Gerhard Schröder, was full of "hot air" and deceiving voters by publicly flirting with the idea of forming a "grand coalition" with the conservative party of Mr. Kohl.

With three weeks left before the election, Mr. Kohl ruled out any alliance between the two main parties, the Christian Democrats and the opposition Social Democrats.

Mr. Kohl accused Mr. Schröder of trying to divide his coalition and win middle-of-the-road voters. (Reuters)

'Mad Cow' in Sheep Discounted

LONDON — The British Health Ministry on Monday played down a public warning by one of its advisers that sheep could be carrying the deadly "mad cow" disease.

Comments by Jeffrey Almond, a member of the government committee investigating the disease, sparked national anxiety and an angry response from farmers, whose beef industry was devastated by the "mad cow" crisis.

Mr. Almond, a member of the government committee investigating spongiform encephalopathies, the group of brain diseases that include "mad cow" disease, told BBC radio there was a theoretical risk that sheep could be infected with bovine spongiform encephalopathy and that it could be passed to humans. (Reuters)



John Shattuck, U.S. assistant secretary of state for human rights, left, and former Senator Bob Dole, after talks Monday in Belgrade with Slobodan Milosevic. Mr. Dole said "nothing encouraging" had come from them.

A Wary Slovakia Braces for Elections

Power-Loving Prime Minister Tightens Grip On Key Players

By Peter S. Green
International Herald Tribune

BRATISLAVA, Slovakia — Three weeks before nationwide elections to choose a new Parliament, opposition politicians and independent analysts here are increasingly worried about the potential for political mischief should Prime Minister Vladimir Meciar fail to win a new mandate to govern.

Polls leading up to the Sept. 25-26 elections give Mr. Meciar's Movement for a Democratic Slovakia, known as HZDS, considerably less support than in 1994.

Whether or not the polls are accurate, the multiparty contest could still give Mr. Meciar's party the largest representation in the 150-seat Parliament, though his potential coalition partners appear unlikely to win the extra seats needed for a majority.

"If the HZDS are not confident they can put together a government, then I think we have to be prepared for surprises that are at the limit of the imagination," said a Western diplomat in Bratislava.

At the same time, the diplomat added, "No one will feel compelled to accept the results of an election that does not meet international scrutiny."

For seven years, Mr. Meciar has held power by portraying himself as the defender of the embattled Slovak nation. Hungary has complained about moves to limit Hungarian-language education for its large minority in southern Slovakia. Austria has protested the recent start-up of a potentially leaky nuclear power plant.

The naming last month of a new army chief-of-staff, even though the current chief has not resigned, suggests that "Slovakia is heading toward dictatorship," said Peter Svec, head of the Association of Slovak Soldiers.

Mr. Meciar keeps a tight grip on other organs of power, notably state-owned television, the secret police and a privatization program that has created a

class of loyal tycoons.

Ivan Miklos, a respected economist who advises the opposition, calculates that the Slovak Treasury will only see 28 percent of the 110 billion koruny (\$3.14 billion) it should have received in post-Communist privatizations conducted under Mr. Meciar.

Thus Mr. Meciar has a powerful constituency to protect from any change of regime, said Sharon Fischer, a Slovakia specialist at the University of London.

"They fear they'll lose their special relationship with the government that

The opposition has organized a contest to guess what 'election tricks' have been prepared for the last 48 hours of the campaign.

has basically given them property for free, and they're afraid a new government will look into it all," Ms. Fischer said.

Eduard Kukan, a leader of the main opposition party, the Slovak Democratic Coalition, said, "It's impossible to think that he will leave office quietly. Meciar is a very effective politician who knows how to use power. When you give him room to maneuver he is very dangerous."

Presented with a referendum this spring that addressed both NATO entry and direct presidential elections, Interior Minister Gustav Krajci defied the Supreme Court and took the presidential question off the ballot. That brought diplomatic protests from the European Union and the United States.

"I regret that democracy does not yet appear sufficiently deeply rooted in Slovakia," the EU commissioner, Hans van den Broek, said on a June visit to Bratislava. "Free and fair elections," he said, are "instrumental in bringing Slovakia closer to the EU."

The opposition coalition is so convinced that Mr. Meciar will subvert

elections that it has organized a contest called "Bomb '98," urging voters to guess what "election tricks" the party has prepared for the last 48 hours of the campaign.

At a time of concern about Mr. Meciar's perceived control of state television, the independence of the only private channel that broadcasts nationwide, Televizia Markiza, is under a cloud.

Last month, unidentified armed men swarmed into its studios to take control in a still-shadowy dispute between two of the channel's Slovak owners.

Markiza, also partly owned by a U.S. cosmetics heir, Ronald Lauder, continues to broadcast generally balanced news reports, but observers fear the apparent takeover is linked to Mr. Meciar or his supporters.

"It's a tangled web, and where it leads no one knows, but I have to think it runs through the SIS to the government," said the Western diplomat, referring to the intelligence service.

Journalists and opposition politicians who have questioned the privatization giveaways, the NATO referendum and the activities of the intelligence service have been beaten or had their cars or homes blown up. At the same time, according to Ms. Fischer of the University of London, state television has become little more than "a mouthpiece" for Mr. Meciar.

"It's clear from our data that the government and the HZDS are misusing the public media — radio and television — as propaganda for their own purposes," said Andrej Bartosiewicz, of the Association for the Support of Local Democracy. State television, he said, is overwhelmingly devoted to positive coverage of the government and gives little coverage to the opposition.

The situation reminds me of the good old days of socialism when there was one message and one party," Mr. Bartosiewicz said. "I thought these things were behind us."

Inge Aicher-Scholl, 81, Pacifist, Dies

By Edmund L. Andrews
New York Times Service

FRANKFURT — Inge Aicher-Scholl, 81, a writer who inspired a generation of pacifists in post-World War II Germany, died at home in Leutkirch, in southern Germany, after suffering from cancer.

Mrs. Aicher-Scholl moved millions of Germans toward nonviolence by chronicling the activities of the White Rose, a student movement whose leaders included her younger brother and sister, Hans and Sophie Scholl.

Both siblings were killed by Nazis on Feb. 22, 1943, and their parents were imprisoned by Nazi authorities for several months.

In 1952, Mrs. Aicher-Scholl published a book describing White Rose's nonviolent resistance to the Third Reich and its brutal repression by the Nazis. Written in spare and dispassionate prose, the slim volume became a classic work of literature about the Third Reich.

Hans and Sophie Scholl "came to represent not just the small band of youthful dissenters but all the pacifist sympathizers who were tracked by the Gestapo and the innumerable anonymous victims who were forced to pay the price for believing that human rights were more important than obedience to arbitrary laws," wrote Albert von Schindling, a cultural critic for the Munich daily Süddeutsche Zeitung.

The book's lack of pretension and its description of ordinary Germans lent it power. "It would have been wrong to create new heroes," Mr. Schindling wrote. "One had already had enough of heroes. The characters in 'White Rose' were people one could identify with."

The book and subsequent writing by Mrs. Aicher-Scholl influenced many Germans who grew up after the war, reinforcing what was already a deep revulsion against the militarism that had brought the country to catastrophe and moral disgrace.

In 1946 Mrs. Aicher-Scholl and several friends founded a school for adult education and art in Ulm. One of the founders was her future husband, the designer Ott Aicher. Mrs. Aicher-Scholl headed the school from 1946 to 1974, and remained active in Germany's peace movement throughout her life.

In the 1980s she was a prominent figure in anti-military movements that bitterly but unsuccessfully opposed plans by the German government and the North Atlantic Treaty Organization to station nuclear missiles in West Germany.

In 1985 she was arrested for taking part in a sit-in at the U.S. Pershing-2 missile base at the southern town of Mutlangen. She and other protesters were charged with disrupting public order and given suspended fines.

Douglas C. Jones, 73, Writer

Douglas C. Jones, 73, a writer who chronicled the mythology of the American West through fictional accounts of historic events, died of heart failure Sunday at his home in Fayetteville, Arkansas.

In 1968, after 25 years in the army, Mr. Jones retired with the rank of lieutenant colonel. He then embarked on a second career as a writer, having already published a nonfiction work, "The Treaty of Medicine Lodge," in 1966, his master's degree thesis at the University of Wisconsin, Madison, where he taught journalism from 1968 to 1974.

Mr. Jones took his cue as a writer from his memories of growing up in Fort Smith, Arkansas, close to what had once been Indian territory. "I was captured by the idea of the Indian frontier then — and I still am today," he said in an interview in The New York Times in 1977.

It was an intriguing parlor game of "what if" that he played with his friend Benjamin Rush 3d that led him to first imagine the consequences General Custer would have faced had he sur-

vived the Battle of Little Bighorn. The outcome was "The Court-Martial of George Armstrong Custer," a 1976 fictional reconstruction that wove much of its substance from fact. The book was illustrated with pen-and-ink drawings by Mr. Jones, who eventually showed his artwork professionally.

Mr. Jones continued to conjure alternative histories in works such as "Arrest Sitting Bull" in 1977 and "A Creek Called Wounded Knee" in 1978.

Thomas Kreis, 46, Biologist

Thomas Kreis, 46, a Swiss-American microbiology expert, was among the victims of the Flight 111 crash, colleagues and family announced Monday.

Mr. Kreis was named director of the University of Geneva's Department of Cellular Biology in July after pursuing research at Massachusetts Institute of Technology, the Weizmann Institute in Israel and the European Laboratory of Molecular Biology at Heidelberg, Germany.

The work of Thomas Kreis shed light on essential aspects of cellular life, and this fundamental new knowledge directly interested the entire biomedical field," said a tribute by four Geneva colleagues in the daily Tribune de Geneve.

He edited books and journals and was recognized by international scientific organizations, but also was athletic and was a qualified Swiss ski instructor.

Ernest Ametistov, 64, a member of Russia's highest court who defended democratic freedoms and spearheaded legal reforms, died of cancer Sunday at his country home near Moscow. (AP)

Albert W. Johnson, 92, a former Republican congressman from Pennsylvania, died of complications from pneumonia Sept. 1 at Boca Raton Community Hospital in Florida. (NYT)

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INTERNATIONAL

Ulster Foes Cross Line By Talking

Rivals Start Discussions On How to Share Power

By James F. Clarity
New York Times Service

BELFAST — Two of the bitterest perennial enemies in the war and peace in Northern Ireland spoke directly to each other for the first time Monday in a brief, polite dialogue aimed at furthering the peace effort in this British province.

The two — Gerry Adams, the president of Sinn Féin, the political arm of the overwhelmingly Roman Catholic Irish Republican Army, and David Trimble, the Protestant First Minister of the new provincial Assembly — exchanged mild statements in a meeting that, a few years ago, most people in Northern Ireland felt would never happen.

The meeting was an otherwise dull preliminary session of leaders of the new Northern Ireland Assembly, established to put in place political reforms that would give Catholics more power in this predominantly Protestant province and give the overwhelmingly Catholic Irish Republic more influence in northern affairs.

But when Mr. Trimble, who is also head of the Ulster Unionist Party, addressed the Sinn Féin leader by his name, another modest historic step had been taken in the five-year-old peace effort. Neither leader had any emotion in his voice, according to participants at the meeting, which was closed to reporters and camera crews.

For years, Mr. Trimble has refused to meet Mr. Adams, saying that he represented the IRA, an illegal organization that had killed hundreds of Protestants. Mr. Adams has said the only way to deal with sectarian problems was talk.

Mr. Trimble described the meeting, at the Stormont government complex in Belfast, as "workmanlike." Mr. Adams said it had been a "good engagement." The two are to meet alone, face-to-face, on Thursday, presumably to discuss the issue that threatens to impede the work of the Assembly: the disarmament of the IRA.

The two leaders did not discuss disarmament, which is called decommissioning here, but made oblique references to the problem. "The word decommissioning was not used by anyone," Mr. Adams said.

Mr. Trimble spoke of the responsibility of "paramilitary-related parties," a clear reference to Sinn Féin and the disarmament issue.

Essentially, Mr. Trimble, as chairman of the Assembly, is insisting that there be some IRA disarmament before the next step is taken, the creation of a cabinet to enact the provisions of the peace agreement approved last spring by party leaders and referendums here and in the Irish Republic.

Mr. Adams says that disarmament during the Assembly's work should not be a condition for Sinn Féin's gaining ministerial posts in the new provincial executive body to be created by the Assembly. The executive cabinet is to create cross-border institutions in which northern politicians and those from the Irish Republic will cooperate in areas like tourism and agriculture.

The IRA said last week that it had no plans to disarm. Just before President Bill Clinton's visit here last week, Mr. Adams said he thought the IRA campaign of violence was a thing of the past. But Protestant leaders were quick to point out that he did not state that the IRA had abandoned violence permanently. Mr. Trimble has been slow to deal directly with Mr. Adams and Sinn Féin because it leaves him open to attacks by dissident members of his own party and of the hard-line Democratic Unionist Party of the Reverend Ian Paisley, who boycotted the Monday meeting in Parliament Buildings, the former site of the provincial legislature that was dissolved by Britain in 1972, at the height of the sectarian violence.

"We are not negotiating the future of our Province with them," Mr. Paisley said of Sinn Féin. "Nor are we taking part in acts of government with them."

His deputy party leader, Peter Robinson, said he was certain that "the IRA will not indicate it has given up war."



A child crying in front of his family's shanty at the Jakarta city dump. Families that pick garbage for a living are finding it harder to survive since others in economic distress have become careful about what they discard.

ASIA: Economic Crisis Puts the Region's Children at High Risk

Continued from Page 1

rapidly as families can no longer afford rice, sugar, flour, vegetables and cooking oil, which have doubled in price. Stephen Woodhouse, head of Unicef's office in Indonesia, said the first cases of marasmus, the severe emaciation seen in the worst African famines, were beginning to show up among children in remote villages of Java, the main Indonesian island. Some estimate that infant mortality in Indonesia could rise 30 percent, after being reduced by two-thirds in the last 25 years.

Many pregnant women can no longer afford proper prenatal care and nutrition. Child immunization had been nearly universal in Indonesia, but now common vaccinations for measles, mumps, rubella and other childhood diseases are too costly for poor families.

Contraceptives, anti-diarrhea medicines and common antibiotics also have become prohibitively expensive and hard to find in many areas. Hospitals and rural health care clinics are starting to reuse syringes, increasing the risk for spreading AIDS. Tuberculosis is a growing problem.

Millions of Asian children already have dropped out of school this year; millions more are on the verge of leaving the classroom for the workplace in the coming months. Asia had greatly reduced child labor in the past decade, but that progress is unraveling as young children are now working long, hot, dangerous hours in glass factories, garment sweat shops and cement plants. Others are turning to street begging and prostitution. Families are marrying off their daughters at increasingly young ages so they have fewer mouths to feed. And some families who believe they can no longer afford to raise their children are leaving them at orphanages.

"We could easily lose a whole generation of kids who are being pulled out of school and put to work; it's almost impossible to recover from," said Scott Guggenheim, the World Bank's poverty coordinator for Indonesia, who just finished a four-year stay in the country. "A whole generation of expectations has vanished."

President Kim Dae Jung of South Korea, in a written comment for this article, said he felt "deep sorrow" that Asian children were suffering because of the financial crisis.

"Economic progress built with the thin, weak hands of children can never be the future of Asia," he said. "Forcing children to discontinue their education and making them enter the dangerous labor market robs us of our future."

In Jakarta, a half-dozen small children sit before a television that flickers in the darkness; chickens peck in the garbage pile behind them. Eight lanes of traffic scream along a Jakarta street on the concrete bridge over their heads. But it is quiet in the damp crawl space beneath the bridge, where nine families live in a warren of wooden rooms they have built on the banks of the filthy Ciliwung River.

Most of these families pick garbage for a living. With prices rising and people being more cautious about what



Children at the San Lok orphanage in Seoul. South Korea has passed a law that allows families who can no longer afford to care for their children to leave them at state-run orphanages, free of charge.

they throw away, they are having more and more trouble making enough money to buy food.

But now they are getting help from private social workers who bring packages of rice, sugar, soy sauce and soap. In the markets, they would sell for the equivalent of almost \$1.50, but they are offered to these poor people for about 25 cents.

"These children are malnourished, and their brains are suffering irreversible damage," says Christine Burns, a volunteer who helps deliver the food. "I feel sorry for the Indonesian people, but now just feeling sorry is not enough."

Mariah, 40, picks up a package of food from Miss Burns and walks back to her dark little room with four toddlers following her.

"For people like us," she says, boun-

ding the small plastic bag of food on one knee and a skinny infant on the other, "the most important thing is our stomachs."

Health officials say that growing malnutrition is threatening the mental and physical development of millions of Asian children.

In South Korea, the government has provided \$8 million to feed children who can no longer afford to take decent lunches to school. Hunger is spreading through some areas of rural Thailand.

The Indonesian government estimates that by year's end, 100 million people, almost half the nation's population, will not be able to afford adequate food, which it defines as at least 2,100 calories a day per person, and other basic necessities.

As malnutrition increases and prices

Employers Go to Prison To Recruit New Workers

Texas Eases the Way for Former Offenders

By Kirstin Grimsley
Washington Post Service

AUSTIN, Texas — Employers had to pass through a metal detector to get to the applicants at this job fair, but it did not dim their ardor. Many practically pleaded with the men and women to join their firms — after they finish up their jail terms.

"I'd be glad to give anybody a chance," said Terry Maxwell, owner of Terry's Electric, addressing the inmates at the Travis County Community Justice Center, a minimum-security jail sheathed in barbed wire.

In one of the tightest job markets in 30 years, employers are reaching out to nontraditional workers they have spurned in the past. Although the 50 or so applicants at the Travis County job fair wore baggy blue or khaki prison uniforms and guards kept a watchful eye over the room, the 20 company representatives pitching jobs seemed pleased just to have such a large pool of workers in front of them.

Rich Green, a recruiter for Goodwill Industries of Central Texas Inc., which runs 11 retail stores, a temporary service agency and a computer refurbishment firm, rubbed his palms together gleefully as he glanced around the roomful of job prospects — nonviolent felons all.

"We're hiring the cream before they get out," he said.

Several of the inmates shared his enthusiasm. "It's giving a lot of people here high hopes," said Mark LeBlanc, 38, who has had a long-term problem with drug and alcohol addiction and was ultimately sent to jail after stealing a \$35 power tool. "I have friends coming out of here now making \$8 or \$10 an hour out there. I'm going to take the ball and run with it, too."

These ex-offenders are among the latest beneficiaries of the nation's buoyant economy. The U.S. unemployment rate has been less than 5 percent for more than a year. Meanwhile, there are 1.2 million inmates in the country's jails and prisons, a record high, with the average sentence lasting about two years.

Slowly but surely, matches are being made. In Florida, Timothy Mann, manager of worker training and support for PRIDE, a nonprofit group that

works with former inmates, said the number of people he has placed in jobs has almost doubled in two years, climbing to 395 from about 200.

Federal officials also are noticing the trend.

"We're finding a lot bigger interest in hiring the offender population," said John Moore, coordinator of the Justice Department's Office of Correctional Job Training and Placement.

In Austin, for example, Faulkner Construction Co., has hired about 150 ex-offenders since 1992. At first, executives at other companies scoffed when they learned the company was recruiting at a jail house job fair, said Brian Faulkner, president of the company's concrete-pumping affiliate.

"Now, I don't tell them," Mr. Faulkner said, adding that ex-offenders have performed as well as their companies as people hired off the street. "I look at it as an untapped gold mine."

Faulkner executives tell workers that if they abide by the rules and work hard they will earn the opportunity to make \$30,000 a year, plus full benefits, in a year's time. About 85 percent of the offenders make the grade, said Denis Snyder, Faulkner's human resources manager; none has caused serious problems.

Close supervision of inmate recruits is considered a key issue at Mirage Resorts in Las Vegas, which has hired 26 nonviolent ex-offenders in recent years, mostly young people coming out of a state-run boot camp. The jobs include landscaping, flower arranging, maintenance and custodial work.

Arie Nathan, former vice president of human resources at Mirage, said a big problem has been other employees. "They're concerned that they'll have to work with ex-cons, welfare cheats, bad people," he said.

Mirage hired a probation officer to monitor former inmates' progress, counsel them as needed and help co-workers deal with any discomfort.

Experts on prison populations said hiring ex-offenders could have a long-term positive effect for the country because numerous studies have shown that people with good-paying jobs are far less likely to return to prison.

But for an employer, hiring an ex-offender can sometimes be risky business. If the worker robbed or injured a co-worker or customer, the company could be held liable.

doubled their fees. Poor people are being forced to turn to primitive herbal remedies that are often useless, Mr. Woodhouse said.

The family has long been the backbone of Asian society, but it is cracking under the financial stress. Thousands of children are being sent away from their parents, brothers and sisters as they ride out the crisis with better-off relatives and friends — and, in the worst cases, strangers.

South Korea has passed a law allowing families who can no longer afford to care for their children to leave them at state-run orphanages, free of charge. There are no firm statistics, but officials at one Seoul institution, the Sang Lok orphanage, say they have received more than 200 calls from parents looking for help. Mosques in largely Muslim Indonesia have been taking in increasing numbers of children.

"This economic crisis has emptied many people's pockets, and also their hearts," said Lim Joon Kyung of the Seoul Counseling Center, which has been swamped with requests for orphanage placements.

The entire region is facing increasing problems with abandoned children. Saini, 15, came last month to the St. Vincent's orphanage in the village of Pringswun on Sumatra, the Indonesian island just west of Jakarta. She is the daughter of a farmer who could no longer make ends meet for his wife and eight children.

The Catholic nuns who run the home say the economic crisis, which came on top of the severe drought, has pressured families to give up their children.

"I like it here," Saini said, smiling. But asked about her family, she burst instantly into big, rolling tears. It has been weeks since she has seen them. It takes a full day to get to her family home, and neither she nor they can afford the bus fare anymore.

Saini apologized, wiping the tears away with the starched white sleeve of her school uniform.

"If I remember them," she said, "I am sad."

In Bangkok, Jantha Siriprang cast her eyes downward, a look of embarrassment and regret on her face when asked about her two children.

She does not want them to work, but she has no choice. She lost her job carrying cement at a construction site when the baht, the Thai currency, collapsed and the construction industry dried up. And now the little money she makes selling candy and cigarettes on the street is not enough to pay the children's bus fare to school, let alone their school fees.

So for now, her son, Num Siriprang, 12, is still in school but washes dishes in a restaurant for four hours every night for wages paid mainly in food.

"It's very difficult now," his mother said. "I don't have any money. If I can find jobs for them, I'll take them both out of school."

NEXT: Migrant workers, the manpower of the Asian economic boom, are being forced to return home.



Muscovites lining up at a foreign-exchange office Monday. The ruble continues to fall and prices are soaring.

RUSSIA: Chernomyrdin Is Rejected Again

Continued from Page 1

bank, said that Mr. Dubinin had failed to husband foreign currency reserves when the Asian crisis broke out a year ago. He has criticized the bank for investing in government high-yielding bonds and spending large amounts of money on its own operations while allowing Russia's reserves to dwindle to low levels.

Mr. Dubinin was a participant in the decision-making that led up to devaluation. Before then, the ruble was trading at 63 to the dollar. The central bank said it planned a "controlled" devaluation to 9.5 rubles per dollar by year's end. But it soon lost control of the rate. On Monday it stood at about 20 rubles per dollar.

Mr. Dubinin was also criticized for a zigzag attempt to reassure panicky bank depositors in recent weeks. At first he promised to protect all depositors 100 percent, then announced that deposits in six major banks would be effectively transferred to the state savings bank, and returned only in November at a much lower rate, then he reversed himself on that as well. The result has been wild runs on commercial banks.

Mr. Yeltsin welcomed Mr. Dubinin's resignation, saying that it should have been offered earlier.

In his own defense, Mr. Dubinin said in a television interview Sunday that he had been forced this summer to channel funds to the government to keep it from going bankrupt, but that a wall of mistrust had grown up between the bank and government. Then "in August, the next dangerous phase began," he said. "The public lost confidence in the national currency."

Mr. Dubinin's resignation comes at a time when Russia's monetary policy remains unclear, although there is a political consensus for a major expansion of the money supply to pay overdue pensions and wages, regardless of the inflation risks. Some Western economists say the expansion has already begun as the central bank is pumping credits to favored commercial banks.

The resignation also comes as some in Russia examine the possibility of establishing a so-called currency board under which the ruble would be pegged to the dollar or other foreign currencies. Under the scheme, control of the money supply is effectively taken out of the hands of the central bank.

Sergei Aleksashenko, named acting head of the central bank, said he opposed this because it would destroy "the monetary power of the central bank."

INTERNATIONAL

Many in Iran Are Counting on Khatami to Open a Trade Route to the West

By John Daniszewski
Los Angeles Times Service

TEHRAN — At Mahdi Vosochi's garage in the heart of Tehran, festooned with pictures of American and European sports cars, the men in greasy overalls have more on their minds than engines and transmissions.

These days, the talk often turns to politics — and whether President Mohammad Khatami will prevail in his struggle against conservatives and succeed in bringing more freedom to their country.

Against the backdrop of a slow sunset between Iran and the United States over resuming cultural ties, many people also are counting on Mr. Khatami's achieving improved economic relations with the West, including the United States.

"We need their technology," said Mr. Vosochi, 50, whose attachment to U.S. know-how shows in the loving care he lavishes on his car: a baby-blue Chevrolet Camaro he bought before the 1979 Islamic Revolution.

"We need to have a relationship based on justice and mutual interest," Mr. Vosochi said. "It's good for them, and it's good for us."

Mohammed Ramazani, 26, a mechanic who is engaged to be married, agreed that it was important for Iran to be open to America and for Iranians to have more freedom generally.

"I am for having relations with everyone," he said, "as long as it's fair."

Previously, he said, the United States and Iran, did not have a relationship based on mutual respect. "But we should not decide our future based on

past bad experiences." He also said that young people, including him, ought to be given "a chance to do what they want to do — to work, to live and be happy, and not be afraid of anyone or any eyes watching them all the time."

On one hand, Mr. Khatami's willingness to seek economic ties with the West is an important element of his overwhelming popularity in a country hoping for a higher standard of living. On the other, there is a fear that the West, and particularly the United States, is not responding quickly enough with concrete steps of its own.

According to Mr. Khatami's supporters, one key way that U.S. policymakers might help would be to drop objections to making Iran the main pipeline route for the rapidly developing oil and gas resources of the Caspian Sea.

In an address last month marking his

first anniversary in office, Mr. Khatami unveiled a broad economic program calling for better conditions for foreign investors, increased privatization and a reduction in red tape. He did not go into detail on how he would attain these goals.

The speech followed criticism by conservative newspapers, saying that Mr. Khatami had been moving quickly on expanding political freedoms at the expense of attending to economic problems.

The conservative criticism does not appear to have caught on with the general public, more than 70 percent of whom still enthusiastically support Mr. Khatami, according to opinion polls.

But the economy is ailing and needs help. The country is suffering from stagflation, with annual growth estimated at only 1 percent, while inflation is es-

timated at 25 percent. Falling oil prices this year have sharply reduced revenue, and the state is struggling to maintain large subsidies on fuel, food and other goods.

Youth unemployment is particularly acute in this country of 67 million people, more than half of whom are under the age of 20. In the first years after the Islamic Revolution, Iranians were encouraged to have large families. Now, up to 1 million people will be reaching working age each year, while the economy at most can create 500,000 new jobs annually.

"The regime has realized the economic and demographic pressures that exist, and they realize the only way to deal with the pressures without collapsing is to open up," said an observer of the Iranian oil industry, Bijan Khajepour.

It is hard to understand why the economy should be in such poor shape when Iran possesses the world's second-largest natural-gas reserves and fourth-largest oil reserves. But economists tend to blame an entrenched merchant culture that has resisted innovation and industrialization. Aside from pistachios, carpets and caviar, Iran has almost no nonoil exports.

Ali Rashidi, an independent economist, said that an alliance between the *bazariis*, Iran's traditional merchant oligopoly, and religious leaders had led to the removal of competent managers after the revolution. These same forces are keeping Mr. Khatami off balance with political attacks.

Mr. Rashidi pointed out that Iran is not simply losing out on trade with the United States. Poor relations with Washington also are preventing Iran from having normal relations with institutions such as the International Monetary Fund and the World Bank and are keeping it from obtaining needed technology.

Many Iranian specialists see U.S. participation in the country's oil-and-gas sector as key to assuring the world that Iran is open for business for the first time since the revolution. And the Caspian oil pipeline is an important symbol of that.

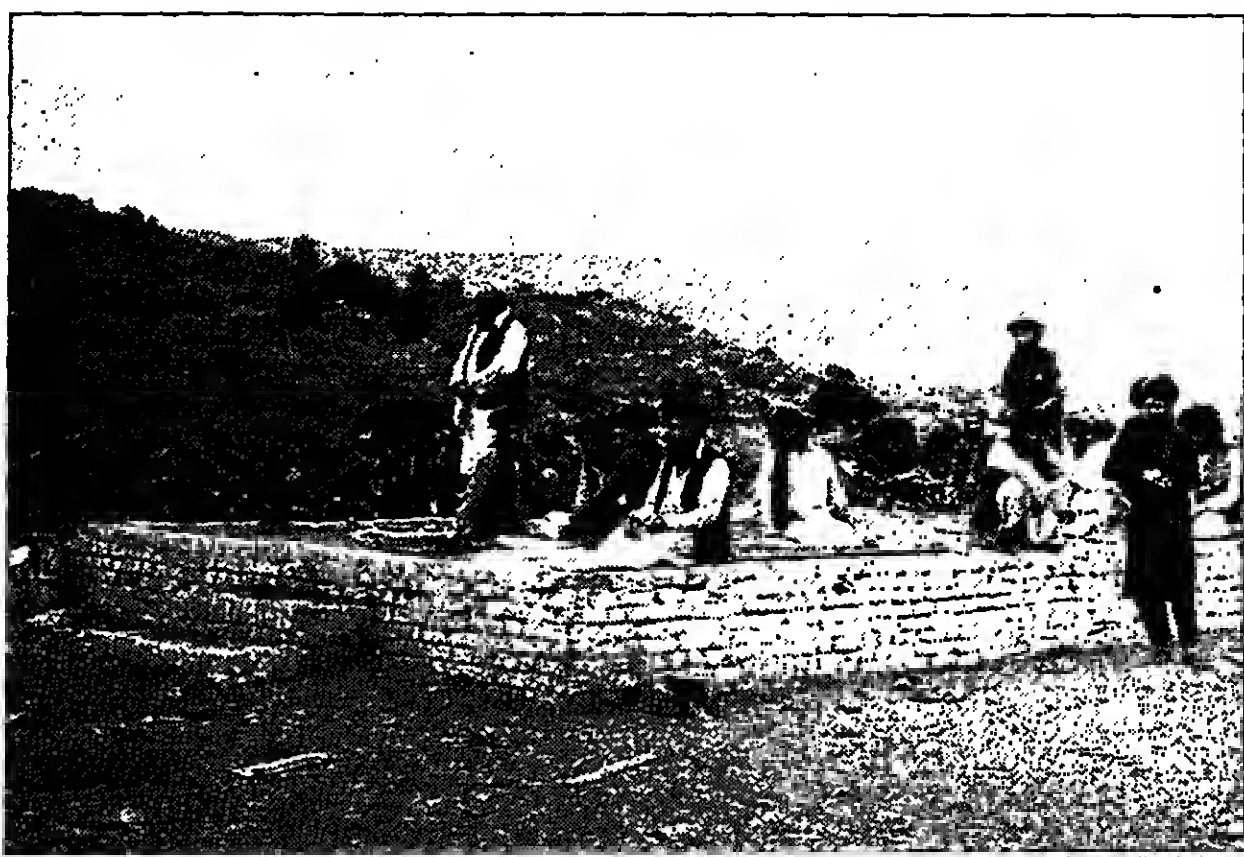
Since the fall of the Soviet Union and the emergence of three new Caspian Sea states eager for petrodollars — Azerbaijan, Kazakhstan and Turkmenistan, in addition to Russia and Iran — an oil-rush mentality has gripped the region. All of these countries are moving rapidly to exploit potential reserves estimated at 50 billion to 200 billion barrels.

Of all the routes proposed so far for the delivery of this oil, Iranian officials say the shortest, cheapest and safest is the one through Iran to the Gulf.

But Washington, still bent on isolating Iran internationally, so far has backed a longer, more expensive route that bypasses Iran.

By lifting objections to the Iranian route, some analysts say, the United States would be supporting Mr. Khatami and the reformist camp in its still-undecided power struggle, analysts say.

"Don't give Khatami the talk that he's a nice guy," said Hooshang Amirahmadi, the Iranian-born director of Middle Eastern studies at Rutgers University. "Give him something — the beef is in the pipeline."



Taliban militiamen praying amid the remains of a building at the Zhawar Kili camp in Afghanistan, near Khosht, which was hit by U.S. cruise missiles on Aug. 20. The photograph was taken late last week.

India Hints It Will Sign Nuclear Test Ban Treaty

U.S. Trying to Get a Commitment Quickly

By Thomas W. Lippman
Washington Post Service

WASHINGTON — When Deputy Secretary of State Strobe Talbott returned from the Moscow summit meeting last week, waiting for him was a marked-up copy of a defiant essay in *Foreign Affairs* magazine by Jaswant Singh.

Mr. Singh is India's chief negotiator on nuclear-weapons issues.

Since India shattered the global consensus on the testing of nuclear weapons by setting off five explosions in May, Mr. Talbott has had several meetings with Mr. Singh, most recently on Thursday in New York.

In his article, Mr. Singh strongly de-fends India's nuclear-weapons policy, challenges the legitimacy of the Nuclear Nonproliferation Treaty and trashes the Comprehensive Test Ban treaty, which Mr. Talbott is trying to persuade India to sign as a tool for perpetuating the power of the "nuclear hegemony."

But Mr. Talbott's aides drew his attention to the last two pages of the essay, in which Mr. Singh offers a more positive outlook.

Noting that India has promised not to conduct any more tests, Mr. Singh writes that "India has also indicated a willingness to move toward a *de jure* formalization of this declaration" — that is, sign the test-ban treaty, a move that Washington has set as the minimum step India must take to get back into the United States' good graces.

Mr. Singh's essay is the most visible sign of progress in negotiations — which U.S. and Indian officials describe as intense and detailed — about how to reconcile India's security needs with the U.S. commitment to limit nuclear proliferation.

The U.S. aim, officials said, is to get India to commit to the test-ban treaty soon — perhaps within the next two weeks — so preparations can begin for a planned trip to the region by President Bill Clinton in mid-November.

Mr. Clinton has been planning to visit India and Pakistan, along with Bangladesh, to improve U.S. relations with this fast-growing region of immense economic potential. But India's test of five nuclear devices, and Pakistan's six tests in response, appeared to derail that initiative.

Last month's U.S. cruise-missile strikes against suspected terrorist encampments in Afghanistan angered Pakistan, partly because Prime Minister Nawaz Sharif was not notified in advance and partly because some Pakistanis were killed in the camps, exposing Pakistan's apparent complicity in terrorism.

Given the security situation in unstable, impoverished Pakistan, it may not be possible for the president to go there even if the government bows to Western pressure and signs the test-ban treaty.

"A lot of people in Pakistan would prefer to have close relations with the United States, but right now the 'street' is with the extremists" because of the missile strikes, a Pakistani diplomat said.

The exposure of Pakistani presence in the camps, where some of those undergoing training apparently were planning raids inside the Indian portion of the contested Kashmir region, has complicated Mr. Talbott's nuclear negotiations because India is attempting to capitalize on Pakistan's role.

India has sought to expand the security talks, and devalue Pakistan in American eyes, by focusing on Pakistan's possible complicity in terrorism and in permitting free movement by associates of Osama bin Laden, the renegade Saudi financier accused by the United States of sponsoring the bombings of two U.S. Embassies in East Africa.

"We have to call a spade a spade when terrorists are getting support in this flagrant fashion," said India's ambassador, Nareish Chandra. "When did Pakistan have information about those camps and what did they do about it?" Of the militantly Islamic Taliban militia that rules most of Afghanistan and shelters Mr. bin Laden, Mr. Chandra asked, "How did the Taliban get into this position? Were they trained to fire artillery by mullahs?" — a reference to Muslim theologians.

A State Department official said, "We have been delivering some very tough messages to Pakistan on this subject, even as we have received some very important cooperation on terrorism activity."

But without disregarding India's concerns about terrorism in Kashmir, he said, Mr. Talbott has been trying to focus his negotiations on the big-ticket items involving nuclear weapons and ballistic missiles.

He said the United States and other major Western powers were trying to persuade India and Pakistan to "move closer to the international nonproliferation mainstream." He said that means refraining from mounting nuclear warheads on missiles that could deliver them, signing the comprehensive test-ban treaty, participating in negotiations toward a proposed Fissile Material Cutoff Treaty and abiding by "international norms regarding export of sensitive technologies, with the focus on missiles."

India's willingness to listen to Washington on these issues, according to several sources, has been limited by the perceived close ties between the United States and China, displayed in Mr. Clinton's state visit to China in late June.

China is one of the few declared nuclear powers and a partner with Washington that is trying to keep India and Pakistan from joining that exclusive group.

For because China also is seen in New Delhi as the biggest potential security threat to India, the United States is regarded with suspicion in India because of this association.

A U.S. official said, and diplomats from both countries confirmed, that India and Pakistan have stated their willingness to take part in negotiations in Geneva on a treaty banning the production of plutonium and highly enriched uranium for weapons purposes.

Iran 'Prudently' Seeks to Resolve 11 Diplomats' Fate

TEHRAN — Iran is acting "prudently" in its confrontation with Afghanistan's ruling Taliban over missing Iranian diplomats, former President Akbar Hashemi Rafsanjani said in remarks published Monday.

The remarks by Mr. Rafsanjani, who is still a highly influential political figure, appeared to be a move to defuse a potentially explosive situation.

The government "is trying to resolve the problem of the Iranian nationals wisely and prudently in a carefully considered manner," the daily Etemad quoted him as saying.

"The patience and perseverance of the families of the Iranian hostages in Afghanistan helps authorities in making sound decisions," he was quoted as telling relatives of the 11 diplomats and one journalist who are missing, and whom Iran accuses Taliban of holding.

About 70,000 Iranian Revolutionary Guards backed by helicopters and planes have massed on the Afghan border, and Tehran is demanding answers about the Iranians' fate.

Taliban has said that it does not know what happened to the 12 Iranians, although the supreme leader of Taliban, Mullah Mohammed Omar, was quoted as saying that they were "probably dead."

Mr. Rafsanjani, who heads the Expediency Council, a top advisory body to the Iranian religious leader, Ayatollah Sayed Ali Khamenei, said Ayatollah Khamenei was "pursuing the matter with special attention and emphasis and has complete supervision of efforts under way."

The Tehran Times reported Sunday

that Ayatollah Khamenei, who is also the chief commander of the armed forces, had "ruled out a clash" with Taliban.

The Taliban movement said Monday in Kabul that the situation along the border with Iran was calm but that its fighters remained on alert.

A Taliban official warned Iran against any provocative action, saying it could trigger "a fireball" of violence.

The 12 Iranians, who were based in the northern Afghanistan city of Mazar-i-Sharif, have been missing since Taliban forces captured the city early last month. Iran expressed concern that they may have been killed.

There have been unconfirmed reports that the Iranian diplomats and the journalist have been martyred," the official Iranian press agency, IRNA, said in a dispatch late Sunday night.

"Nearly a month after the capture of the Iranian diplomats and journalist, reports received about their situation are contradictory and, in some cases, worrisome," the agency said.

Tehran supports the opposition North-

Foreign Minister Kamal Kharazi of Iran asked the UN secretary-general, Kofi Annan, on Friday to send a fact-finding mission to Afghanistan to pursue the matter.

Amnesty International said last week that the missing diplomats and journalist were reported to have been killed during the Taliban offensive. Citing witnesses, it said their bodies had been left in the Iranian consulate in Mazar-i-Sharif for two days before being buried in a nearby mass grave.

Tehran has accused Taliban of holding scores of Iranians hostage, including several truck drivers. Taliban has acknowledged that it is detaining about 30 truck drivers.

Apart from the well-being of its nationals, Iran has enormous stakes in Afghanistan, where it has traditionally wielded political, religious and cultural influence. Iran fears that Taliban is serving as a proxy to further the interests of Pakistan, Saudi Arabia and the United States at its expense.

Tehran supports the opposition North-

ern Alliance that is battling Taliban, which controls most of Afghanistan. Iran, along with the United Nations, recognizes the deposed Afghan president, Burhanuddin Rabbani, as the legitimate leader. Pakistan, Saudi Arabia and the United Arab Emirates are the only countries that recognize the Taliban regime.

Pakistan called on Iran and Afghanistan on Monday to exercise the "utmost restraint" and to take steps to ease tensions along their border.

The call came after a meeting of the cabinet defense committee that was chaired by Prime Minister Mian Nawaz Sharif.

In his interview with Etemad, Mr. Rafsanjani was sharply critical of Taliban. "Creating tension with neighboring countries, especially Iran, is a sign of the Taliban's rigid-mindedness and lack of prudence," he said.

"Their violation of international laws is indicative of their distrustful and inhuman nature. Taliban's behavior is not in the interests of Afghanistan and its people."

(Reuters/AFI)

Dangerous Times for Mexico's Writers

By Molly Moore
Washington Post Service

MEXICO CITY — For nine months, Homero Aridjis, a Mexican poet and international spokesman for freedom of expression, has not stepped out of his house without the bodyguards that shadow him everywhere: to poetry readings, to lunch with friends, to walk his dog.

Now, the telephone warnings that prompted the Mexican government to assign guards to the president of PEN International, a global writers' organization, have escalated with new and more chilling death threats that reflect a pattern of increasing violence against Mexican writers and journalists.

"Despite the enormous political opening in the last two years, it is still extremely dangerous to be a journalist in Mexico," said Jorge Zaverucha, president of the Society of Journalists, one of two new Mexican watchdog organizations recently created to assist journalists and publicize attacks against them.

Many journalists argue that it is the growing independence and power of the Mexican media, fed partly by reforms in Mexico's one-party political system, that have provoked the surge in attacks and threats against journalists and photographers in the past two years. Once

largely pawns of the government, many newspapers and magazines are professionalizing their staffs and pursuing aggressive investigations of drug cartels and official corruption.

In the last 16 months, four journalists have been killed in Mexico in job-related slayings. Scores have been attacked, threatened or intimidated, making the period one of the most violent for journalists here in a decade, according to the New York-based Committee to Protect Journalists.

In 1997, threats against journalists were up 55 percent over the previous year with 187 assaults, threats and acts of intimidation, a Mexican group. Network for the Protection of Journalists, reported.

The attacks have been waged by drug cartels, corrupt law enforcement officials and old-style political bosses, according to Mr. Zaverucha, who said his organization was attempting to "convince Mexican society that an attack against a journalist is an attack against the whole society and its right to be well-informed."

Many of the attacks appear to have been related to the journalists' aggressive reporting. Benjamin Flores Gonzalez, editor of the newspaper *La Prensa* in San Luis Rio Colorado, on the U.S. border, was shot and killed on the front steps of his office in July, the target of drug

traffickers angered by his unflinching coverage. A Mexico City journalist was murdered last year and five others abducted, reportedly by police officers who resented their coverage of corruption.

The authorities have made few arrests. The telephone threats received by Mr. Aridjis, one of Mexico's best-known writers and a frequent government critic, have been particularly troubling to journalistic organizations because of his high-profile position as president of PEN International, the prestigious London-based organization of poets, novelists and other writers.

"Homero Aridjis becomes a lightning rod because of his visibility," said Joel Simon of the Committee to Protect Journalists.

The New York-based PEN American Center wrote in a letter last week to President Ernesto Zedillo of Mexico: "We suspect that whoever is behind these calls is trying to inhibit Mr. Aridjis's activities as a writer, International PEN president, and an editorial page columnist."

"Previous threatening phone calls also occurred within weeks of a public appearance by or press interview with Mr. Aridjis regarding human rights in Mexico and contemporary dangers faced by writers," it added.

CROSSWORD

ACROSS

- Volcano flow
- Kind of drum or rattle
- Halloween disguise
- Passing notice
- Get score
- Tatum or Ryan
- Makeup brand
- Join forces
- French farewell
- March of —
- Nada
- Ran first
- Accountant's software

DOWN

- The slo-o-ow train
- Dwelling
- Lively, as an imagination
- Suit to —
- Grocery store
- Harmful precipitation
- Scream
- Alaskan marsh city
- Puddinglike dessert
- Arbor, Mich.
- Take by force
- Exhibit annoying satisfaction
- Silly-headed dog
- Pvt.'s boss
- Little piggy?
- Slender Hamilton
- Wedding feast
- Put of chopstick
- End-of-filming gels
- See eye to eye
- Bit of Italian bread?
- Vern's captain
- Blams
- 1974 Sutherland/Gould spoof
- Broadway star Verdon
- Couric of "Today"
- "George Washington" — name
- Rural
- Aster and Begley
- Baseball's Tony or Alejandro
- Most hearty
- Horrid email
- Computer that doesn't use Windows
- dys (chemical coloring)
- Way to go: Abbr.
- Mrs. Lennon
- Hoep. section
- After-tax amount
- Healthful
- "Time" — My Side (Stones hit)
- Procede, with "to"
- Swifthead's journey?
- Corned beef dishes
- Co. abbr.
- Chance for a hit
- Smithy
- First, second, reverse, etc.
- Bay, in a way
- Chronic nag

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STELLA	BERRA	
JOIE	TOAD	NEMRO
WILL	LOPE	KELS
BOUCH	SILLO	FRET
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Rethink Capitalism

What is frightening about the world's current economic troubles is a sense that rules we thought we understood don't seem to apply now. Until a few months ago, we thought we knew what a developing country had to do to join the ranks of the wealthy. We thought we knew how a Communist country could transform itself into a capitalist one. The general understanding was that as the world became more connected, it also would become more prosperous.

Now, with Russia and much of Asia having crashed, with Eastern Europe and Latin America imperiled and with much of Africa going backward, the certainties of only a year ago seem far from certain. Malaysia last week shut the door on the global economy, as its autocratic leader withdrew his currency from international circulation and fired the deputy prime minister who had pushed hardest for openness and liberalization. "The free market system has failed and failed disastrously," Prime Minister Mahathir bin Mohamad declared.

Russia edged toward nationalization of industry and more state control. Even Hong Kong, until now the world's most ardently free economy, spent billions of government dollars to prop up the local stock exchange — an intervention that free marketeer Milton Friedman bluntly labeled "insane."

Looking around Mr. Mahathir's stricken neighborhood, it is not hard to understand his retreat. But it is im-

portant at a time like this not to draw more lessons than the facts provide. Not everything we thought one year ago, in other words, now has been proved wrong.

Yes, this is a time for humility. Yes, the IMF's doctrinaire opposition to any controls on capital, even on short-term movements, may have been mistaken, and its initial efforts at Asian rescue may have been misguided in key respects. But much of what Asia did in the past 30 years — investing in health and primary education, welcoming outside investment, eradicating poverty — was correct, and it is still, quite likely, enduring. Much of what Eastern and Central Europe have accomplished in a few short years has been not only heroic but absolutely on track.

If the mistakes that have been made have a common thread, it was the emphasis of economic solutions over political ones. In Indonesia, it was believed that economic growth would, in its own time, overcome the obstacles of autocracy and corruption. In Russia, it was hoped that macroeconomic stability and privatization would foster the middle class that would, in turn, insist on rule of law, contract sanctity and the rest. In both cases, the sequencing didn't work.

A lot of rethinking needs to be done. But many of the goals and principles were right, and they should not be thrown overboard in a panic.

—THE WASHINGTON POST

Milosevic in Kosovo

The temperature in the Kosovo hills at night is now down to 5 degrees centigrade, and that means death is coming. Despite Slobodan Milosevic's repeated denials that Serbian forces are carrying out ethnic cleansing, many villages in Kosovo look like the worst parts of Bosnia, with shelled carcasses of houses and eerily empty streets. So far, relief groups say, some 200,000 to 400,000 people, almost all women, children and the elderly, have fled their homes, and about a quarter of them have no homes to go back to. Some are with relatives in other parts of Kosovo and a few have gone to Montenegro, Albania and even Bosnia, but between 50,000 and 150,000 are living in the forests.

The world must keep them alive, but the U.S. government has made a mistake in agreeing to a new "humanitarian" proposal from Mr. Milosevic. It is apt to fail at feeding the displaced, but even success would come at a cost of making the United States Mr. Milosevic's partner and thus blocking long-term solutions.

He is creating the same dilemmas for the outside world that he created in Bosnia. There, extensive international efforts to keep Bosnians from starving inadvertently got in the way of ending the war. The Serbs held humanitarian aid hostage, threatening to end it if the West displeased them. Despite its promises, the United Nations was not able to protect Bosnians. Supposed safe havens, such as Srebrenica, became killing fields.

In Kosovo, Mr. Milosevic is doing it again. He has denied visas for relief workers, and his forces have killed and arrested local workers bringing in foreign food. The shelling by his forces continues. Now he is proposing the establishment of 11 "humanitarian centers" to feed people who have been displaced. The United States agreed last

Wednesday to provide food to each of the centers. The agreement is unrealistic. Kosovo Albanians, who remember Srebrenica and do not trust Serbian leaders, are not likely to risk gathering in places where "security," according to the Serbian government, would be provided by Serbian authorities.

The plan would allow the Serbs to claim Western support in encouraging people to come down from the woods into Milosevic-controlled centers. Since Belgrade is not promising to stop the shelling, the centers may be luring people to their death. A mission scheduled for last week by American and UN officials to see if the humanitarian centers are feasible had to be postponed due to shelling, which eloquently answers the question.

Making a partner of Mr. Milosevic is not an acceptable way to help the displaced. American and other relief groups are drastically increasing the food they provide through local Kosovo organizations, which is important. Most crucial, however, is to get Mr. Milosevic to stop shooting. Both steps will require intense pressure on Belgrade, with the credible threat of military force if necessary.

The use of force is probably what the United States was trying to avoid when it agreed to support the Serbian idea. But it cannot allow Mr. Milosevic, who specializes in extorting rewards from the West for cleaning up problems he created, to hold humanitarian relief hostage. A policy of treating him as a partner, as the West did for so long in Bosnia, will limit the West's options in dealing with him and encourage him to continue killing Kosovo's Albanians. At bottom, Kosovo is a political crisis, not a humanitarian crisis. It will continue until Mr. Milosevic is forced to reform, or is no longer running Serbia.

—THE NEW YORK TIMES

Other Comment

Xenophobia in Asia

One big casualty of the Asian financial crisis is the debasement of public discourse. Malaysia must stand at the forefront of the offensive and the xenophobic. It first rattled foreign investors by promoting the idea that "currency speculators conspired" to devalue the ringgit and to "impoverish" the country.

Malaysia is now joined by Hong Kong, historically an open, tolerant, cosmopolitan city. [The Hong Kong government's] vitriolic rhetoric is unprecedented. Conjectures are taken as facts, half-truths as absolutes.

Xenophobia has now reared its ugly head in much of Asia. In Hong Kong, officials and their supporters routinely differentiate between "foreign speculators" and "local investors."

A local broker recently arranged a meeting between a high-ranking official and a group of Chinese fund

managers working for foreign companies. The broker warned the guests not to express any anti-government views, adding: "It's unfair to Hong Kong to allow foreigners to make easy money in our market."

Through all this, Singapore has stood out as the one country that has refused to descend to intellectual meanness. For clarity and brutal honesty, public servants in Hong Kong and Malaysia should be required to read Senior Minister Lee Kuan Yew's analysis of the Asian crisis.

Asia has many problems. They must be debated with intellectual rigor. Officials must learn that the financial market is a global village filled with people at least as educated and as smart as they are. By engaging in jingoism, they embarrass themselves and the people in whose name they govern.

—Sin-Ming Shaw, founder of Shaw Investment Management in Hong Kong, writing in Newsweek.

An Updated 'Russian Idea' vs. Old Romanticism

By Aileen Kelly

CAMBRIDGE, England — I suspect that as Russia spins out of control many Western leaders yearn for a strong hand to arrest the chaos. But if a new dictatorship arrives, it could be even more implacably opposed to the West than Soviet communism was.

The present crisis increases the possibility that a charismatic leader could appear on the scene and promise to mold the half-baked ideas of various groups into a doctrine of national salvation with mass appeal.

Whether this will happen depends to a large extent on a national debate occurring within Russia, where intellectuals are continuing to redefine their culture and national identity, examining its strengths and weaknesses in light of the Communist catastrophe.

In conferences, round tables and discussions in the press, social and political scientists,

philosophers, anthropologists and literary critics have vigorously debated the relationship between Russian and Western culture, the nature of Russian tyranny and of the Russian "mentality" — a buzzword in post-Soviet times.

The debate is centered on the "Russian Idea." This is the belief, first promoted by the czarist state in collaboration with Orthodox theologians, that Russia's distinctive religion and culture leave it destined to follow a path separate from the materialistic West and spiritually superior to it.

This faith in Russian superiority survived into the Soviet period, along with its encouragement of xenophobia, anti-Semitism and messianic hopes. And with the fall of communism, the "Russian Idea" has become even more

popular. As preached by various neo-Communist and nationalist groups, it purports to offer a sense of self-respect and purpose to a nation cruelly humiliated by the West.

Most Russian thinkers historically have claimed that the liberal ideal of individual freedom is selfish and divisive and that the road to self-fulfillment lies in the collective pursuit of social or spiritual ideals. And this claim continues to find new adherents.

The most popular of previously banned works reissued after the fall of communism were those of religious philosophers, such as Vladimir Solovyov, who forecast Russia's progress through unified endeavor toward God's kingdom on earth. Some Russians argue that today's moral confusion and criminality can be over-

come only by a new messianic creed that unites the nation.

According to A. A. Yermolov, Western "liberal inventions," such as legal guarantees of rights, would be superfluous in a society grounded in religious solidarity.

These discussions may seem trivial compared with the political events that are daily threatening international markets and stability. But in Russia ideas have often had direct and terrible political consequences. One example to remember is the role of Russian messianic nationalism at the beginning of this century in inspiring the first pogroms in modern Europe.

Members of the nationalist and religious right are continually defining the Russian mentality in ways that mesh with their anti-Western political programs. They marginalize all thinkers who do not con-

form to the messianic model. At a recent major conference on Russian philosophy, all the papers were on religious philosophers.

Many Russian intellectuals are alarmed by this imbalance. The monthly *Questions of Philosophy*, at one time an ideological mouthpiece of the Communist Party but now a voice of reason, spells out the dangers of a new orthodoxy.

One contributor, G. L. Tulchinsky, a philosophy professor at St. Petersburg University, observes that doctoral candidates in philosophy and the human sciences often cite Russian religious philosophers as routinely as they once cited Marx and Lenin.

At the same time, many Russian intellectuals believe that society needs not more but less unity, and must learn the importance of pluralism. It is not clear, however, that grafting Western values and institutions onto Russia is the answer.

Russia, G. L. Tulchinsky maintains, will develop a stable democracy only by harmonizing a respect for individual freedom with its own communitarian ideals and customs.

There are some signs that such a new democratic tradition is developing. For the first time in centuries the Russian people have been left to their own devices. Freed from the tyranny of state, church or party, stripped of all security, Russians have reacted to the crises of the 1990s not with anarchy, as was feared, but with astonishing resourcefulness, exhibiting in their daily behavior the combination of individual initiative and social solidarity that may portend a new-style "Russian Idea."

Thanks to their spectacularly incompetent government, Russians have been undergoing a harsh training course in the self-reliance that is the basis of political maturity.

A political meltdown may yet bring the Russian right to power, but it will then have to contend with a population that is beginning to understand its past well enough to have a fair chance of not repeating it.

The writer, a professor of Russian history at Cambridge and author of "Toward Another Shore: Russian Thinkers Between Necessity and Chance," contributed this comment to *The New York Times*.

Good Societies Are About More Than Free Markets

By Robert Kuttner

WASHINGTON — The swooning U.S. stock market, the East Asian collapse and the Russian implosion have a common genesis: All are casualties of the great illusion of our era — the utopian worship of free markets.

Half a century ago, the democracies of the West — chastened by two world wars and a depression, by the brutalities of pure capitalism and the menace of communism — concluded that a market economy needed to be tamed and domesticated, to coexist with a decent, stable and just society. But the stagnation of the 1970s, the resurgence of organized business as a political force and finally the collapse of communism revived an almost fanatic credulity in pure markets and a messianic urge to spread them worldwide.

Consider the East Asian crisis. For the most part, East Asia has productive workers and firms, households with high rates of savings, prudent government budgets. Some countries did suffer from business-government cronyism. But what wrecked these economies was their sudden exposure to international speculative forces. Financial speculators first overinvested in their currencies, stocks and businesses, and then abruptly pulled the plug.

This sudden vulnerability reflected ultra-free-market norms imposed by the United States and its protégés at the International Monetary Fund. Obviously, the real value of an economy does not fluctuate by 80 percent in a few months. What fluctuates are the guesses of foreign speculators. But in an exposed economy, these become self-fulfilling prophecies.

The U.S. stock market is a casualty of the same market worship. Just weeks ago, prestigious commentators still were pre-

claiming a fundamentally "new economy" of permanent prosperity. Supposedly, the combination of deregulation, globalization, low inflation and technology meant that stocks had nowhere to go but up.

In truth, the stock market got dangerously overvalued because markets often misvalue things. Markets misvalue human labor, education and universal health care; they misvalue clean air and water. And occasionally, euphorias break out, and markets misvalue stocks.

What has saved the stock market from even steeper collapse is that nemesis of financial market purists, the good old capital gains tax. Investors are riding on the down market rather than paying a tax on what is left of their gains.

The same free market fundamentalists who considered globalization an unmitigated plus now offer this contradictory reassurance: The contagion won't seriously damage us because America is still relatively isolated compared with the poor suckers who took our advice and are now more globally exposed than we are.

Alas, America is no island. Calamity in Asia, Russia and Latin America, partly the fruit of U.S. ideological exports, cannot help but affect the United States and Europe. The most dangerous of all these events is the collapse in Russia.

It recalls the West's failure to help Germany recover after World War I, resulting in World War II.

The United States spent \$9 trillion to win the Cold War. Once communism collapsed, it concluded that market forces would do the rest. Western aid to Russia peaked at

just \$2 billion a year, a tiny fraction of postwar Marshall aid to Europe.

There was a historic moment, in the early 1990s, when a "grand bargain" with the emerging post-Soviet Russia was on offer. With serious aid, the West could have helped true reformers build an effective democratic state and a modern mixed economy. Instead the Russians got laissez-faire gangster capitalism. Today, weirdly, the most effective opposition is the Communist Party.

Economic reconstruction after World War II accepted the necessity of a mixed economy. In that era, the United States and the IMF recognized that emergent economies could not be the prisoners of private speculative capital. The postwar system regulated private money flows and stabilized currencies to allow nations to develop. Today's IMF perversely demands exposure to speculators as a precondition of assistance.

Increasingly, countries like Russia and Malaysia are imposing unilateral controls on capital. But instead of being part of a coherent system of stabilization and development that includes necessary buffers, these moves are isolationist and destabilizing. Until the economic priesthood of the West revises its ultra-market view of free financial flows, more such moves will follow.

What we need is a program of stabilization and reconstruction in the spirit of the post-World War II years, with limits on speculative money flows, and more development aid. Sometimes it takes a crisis to change official thinking. Let us hope that conventional wisdom shifts before crisis turns to catastrophe.

Washington Post Writers Group.

The Clash That Matters Is Occurring Within Societies

By Jean Daniel

PARIS — Samuel Huntington and I stopped off last month at the same three universities, in Lisbon, Washington and Quebec, to defend radically opposed theses.

Mr. Huntington, in a much discussed article in *Foreign Affairs* and in his latest book, prophesies that clashes among civilizations are going to replace clashes of sovereignty and proximity.

Of the 21 civilizations listed by the late historian Arnold Toynbee, Mr. Huntington retains six, including a Muslim civilization that he expects will assemble all the Islamic states for a confrontation with the West in general and the United States in particular.

My modest rejoinder, more observation than prediction, was that Mr. Huntington's analysis fails to account for the main events we are witnessing. The clashes among Pakistan, India and China, all three of which have nuclear weapons, are definitely nationalistic. And India fears China more than it fears the United States.

Before the genocidal massacres in Rwanda, the bloodiest war (almost a million dead) was between Iraqi Muslims and Iranian Muslims. For a change, the West was not accused by either side of provoking or prolonging that war, which went on for eight long years amid Arab and Muslim indifference.

Today you cannot say that the Iranians and the Taliban confront each other in the name of a common anti-Western stance.

Yet you would think it was Mr. Huntington who was inspiring the approach to Islam of the Pentagon and the State Department. If this continues, it could turn out that accumulated partisan behavior and gross mistakes fabricate a "clash of civilizations" that nothing portended beforehand.

I argued, against my eminent interlocutor, that Muslim societies are being agitated by the same two currents as other societies: the traumatizing current of modernity and the violent current of tradition. The resulting split inside all the world's societies characterizes the present fin de siècle.

The split is aggravated by monstrous inequality in development. The rich become inexorably richer and the poor inexorably poorer, contrary to the principles of Adam Smith.

But it is clear that if, from the outset, one incites communal reactions that draw the two sides together within divided societies, one does create a "civilizational" phenomenon leading to opposition against those nations that represent modernity, in particular the United States.

Now, that is just what is occurring in relations between the

West and Islam. Consider the recent prolonged occupation of bases in Saudi Arabia, land of Islamic holy places respected by even nonpracticing Muslims.

It is what occurs when one fails to lift an embargo on Iraq that doesn't bother Saddam Hussein at all and brings about the daily deaths of many hospitalized children.

It is what of course occurs when the United States, which solemnly took over from the Norwegians as sponsor of the Oslo accords and guarantor of their application, allows Benjamin Netanyahu to undo what Yitzhak Rabin and Yasser Arafat had the courage to do.

Worse, Muslims, who have an eye for dignity and hierarchy, saw President Bill Clinton fail to take up a public challenge from Mr. Netanyahu on television when he sharply criticized Hillary Clinton for having dared to say what the Israeli left declares every morning — that there will one day be a Palestinian state.

My intent is not to catalogue, indifferently and passively, the Arab-Muslim world's complaints. That world has always been divided, even in its times of glory. It has always pursued unity in vain, and its leaders have always feared that unity would be achieved to a neighbor's benefit.

Islam had its grand eras in Baghdad, Andalusia, the Ottoman empire; its contributions to humanity have been invaluable. The fact remains, as the Palestinian writer Edward Said recalled recently in *Le Monde Diplomatique*, that no sooner did Arabs emerge from colonization than they sank, many of them, into failure and corruption, and that they have not got over their disappointment. Military defeats by Israel, on top of this, are a wound to the soul of proud peoples.

All the same, there has been a real revolution, launched first by Anwar Sadat and then by Mr. Arafat in Oslo. As the world looked on, the vertical divide that Mr. Huntington sees between civilizations turned into a horizontal divide separating advocates of pacific projects from fanatic militants.

That is a revolution because, in this part of the world, when you don't succeed on earth in victory you can try to succeed in

heaven by salvation — which explains why Mr. Sadat was assassinated by an Egyptian, Mohammed Boudiaf by an Algerian and Mr. Rabin by an Israeli. Builders were on one side and terrorists on the other.

Today there is a sort of secret bond between the mad and the wise, since the latter have been shown as wrong to have been wise. Call it a communitarian religious rallying — or civilizational, as Mr. Huntington would say.

The passing from a vertical to a horizontal divide was pointed out by a different American approach in the weeks leading up to the Gulf War in 1991.

The main feature of that war was not the demonstration of American power. It was the possibility of preventing the Arabs from rallying to the side of the aggressors and terrorists with the excuse that Arabs had just grievances against an oil-rich West in cahoots with the Israeli right.

George Bush had the intelligence — at a time when the United States basked in the prestige consequent upon the November 1989 implosion of the Soviet system — not to wage a Gulf War against Arabs and Muslims in general, their values and their symbols. Even

better, preventing Israel from joining the coalition was of essential symbolic importance.

Much has happened since. In the latest Gulf crisis there was no longer a single Arab or Muslim state on the American side.

There will be no real and effective mobilization against the terrorism of religious fanatics unless they are isolated within their countries — isolated not simply by more or less corrupt governments but by public opinion, which is on edge.

The tragic truth right now is that the terrorists and fanatics may be disavowed but are not, in their very madness, radically and wholly unpopular. They are the bad conscience of humiliated and frustrated peoples.

Without a determined, patient and methodical winning over of public opinion in these countries by spectacular gestures from the West, and above all from the United States, terrorism will not be defeated.

Since the retaliation in Afghanistan and Sudan for the attacks in Nairobi and Dar es Salaam the outlook for terrorists can be said to have improved.

The writer, editor of the weekly *Le Nouvel Observateur*, contributed this comment to the *International Herald Tribune*.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Cretan Uprising

PARIS — [The Herald says in an Editorial:] Months have been spent in wasted efforts at the cost of an enormous expenditure to Great Britain, France, Russia and Italy, without any approach to a solution of the Cretan insurrection and the Græco-Turkish war. The Muslim minority in the island is determined to resist European intervention. The last straw was the appointment of Christian tithe-collectors. When these officials were being installed at Candia the Turks protested and were fired upon by the British troops. Then followed a scene of slaughter and destruction.

1923: Man's Alimony

NEW YORK — For the first time, it has been judicially held that a woman must pay alimony to her husband. In Los Angeles a man sued his wife for support,

alleging that she was earning \$150 a month and that he was unable to work. The judge ordered the wife to pay her husband temporary alimony of \$2 a week, saying: "The husband has broken in harness, I am afraid the wife will have to pull a double load for a while. Marriage is a case of give and take."

1948: French Crisis

PARIS — Premier Robert Schuman's two-day-old government — after having been beaten in the National Assembly by a vote of 295 to 289 — resigned, reopening the political and constitutional crisis that has disturbed the country for more than six weeks. The country may be forced to a dissolution of the National Assembly and new national elections — elections that could mean the end of the Fourth Republic and the return to power of General Charles de Gaulle.

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OPINION/LETTERS

U.S. Should Seize the Chance to Engage Iran

By Stanley A. Weiss

BEIJING — Could Osama bin Laden, the terrorist mastermind suspected in the recent U.S. embassy bombings, one day find himself without patrons, completely isolated, unable to find a place to land?

Such a scenario might not be far-fetched. The role of so-called "rogue" states is shifting from sponsoring terrorism to providing sanctuary for terrorists. As a result, it may be possible to convince some of these states to cooperate in the battle against terrorism, at least to the extent that a country wants to play a more significant role in the international community.

One place to start is with the Islamic Republic of Iran, which, as far as most Americans are concerned, is an inviolable state-sponsored terrorism. But the 1979-1989 Iran of Ayatollah Ruhollah Khomeini is not the Iran of today's president, Mohammed Khatami.

For starters, many Iranians — ruled by Shiite Muslim clergy — recognize that their greatest enemy may lie on their eastern border in Afghanistan, where the ultra-orthodox Taliban's Sunni Islamic regime has reportedly killed thousands of Shiite civilians and 10 Iranian diplomats. Indeed, there are reports of up to 70,000 heavily armed Iranian troops poised on the Afghan border.

The looming conflict between Iran and the Taliban may make Tehran more willing to help America with Mr. bin Laden — who is reported to have taken refuge in Afghanistan — than has been generally appreciated. But the U.S. response has been disappointing. A senior administration official has been quoted as saying

that, between Iran and Afghanistan, America does not "have a favorite."

It should. The Taliban represents a serious terrorist threat to American citizens and interests. More important, Iran is changing. If Washington begins the process of normalizing relations, Iran's attitude toward the United States may one day again resemble that of Egypt or Jordan rather than of Iraq or Libya.

Where is the proof? For starters, I was granted a visa to visit Iran earlier this year, something that would have been unheard of for an American businessman only a few years ago, and something that is still impossible in Iraq or Libya.

More significant, Iran condemned last month's terrorist bombings of the American embassies in Nairobi and Dar es Salaam, in marked contrast to Iraq and Libya.

The U.S. policy of continuing to treat Iran as if it were Iraq or Libya undercuts the very moderates in Iran who are in a position to help battle the bin Ladens of the world. Iran's hard-line political ayatollahs play the United States like a yo-yo.

Each time President Khatami and the White House start talking about talking, the opponents of change in Tehran put on whatever spin is necessary — arresting the mayor of Tehran, impeaching a minister, firing off a missile — to provoke the reaction they want from their counterparts in Washington.

President Khatami will never be able to prevent acts of terrorism until

he controls the money that finances the Iranian terrorist institutions. But it is Iran's supreme leader, Ayatollah Sayed Ali Khamenei, who controls Iran's military and internal security, as well as the judiciary, the state radio and television, the intelligence services and the shadowy terrorist apparatus.

Mr. Khatami's only support is the Iranian people. His landslide election in May 1997 and his outspoken formulation of the revolution's principles, including the rule of law, make him the kind of threat the extremist mullahs fear most: an elected high official unassailable on religious grounds with overwhelming popular support.

Last month Mr. Khatami called for sweeping economic reforms. "Our economy is chronically ill," he said. "It will not be cured unless we make fundamental changes."

As inflation skyrockets, a million youngsters join the labor force each year looking for jobs that do not exist. The state owns more than 80 percent of the economy, including the powerful, unaccountable and inefficient foundations that operate the 700 companies that Ayatollah Khomeini expropriated at the time of the 1979 revolution.

The sharp drop in oil prices has only made things worse. Iran depends on crude oil exports for 85 percent of its hard-currency earnings.

Many U.S. policymakers feel that the American trade embargo and secondary sanctions provided the economic pressure that helped elect Mr. Khatami. While this may be true, unless the moderates can improve conditions the president will

fall victim to these same now-bankrupt policies.

First, America should exempt food exports, as it did with India and Pakistan a few weeks after condemning them for their nuclear tests. U.S. wheat farmers sold an embargoed Iraq nearly 1 million tons in the last year under a United Nations humanitarian program. Why not sell grain to Iran?

Second, the United States should begin selling nonstrategic consumer goods, using the Iranian merchants who underpin the political mullahs, as their distributors. A flood of U.S. products, from blue jeans to videos, could do more than anything else to loosen the grip of the political extremists.

And finally, if trade worked to improve the relationship between the two countries, all sanctions on oil and gas should be lifted.

The U.S. administration might also consider using its formidable public relations skills to send this message. One idea would be to invite President Khatami to tour the American heartland after he gives his nation's speech at the opening of this year's United Nations General Assembly in late September.

Such a move might not only begin to end the current stalemate in U.S.-Iranian relations, it might ultimately speed the day when terrorists can truly claim no safe haven.

The author, founder and chairman of Business Executives for National Security, contributed this column to the International Herald Tribune.

Harlem's People Keep Their Cool Despite the Makings of a Riot

By Bob Herbert

NEW YORK — In the end the ordinary people of Harlem proved to be smarter and far more responsible than either Khalid Muhammad or Rudolph Giuliani.

Both men are provocateurs and both were spoiling for a fight on Saturday, the day of the so-called Million Youth March in New York.

Mr. Muhammad did his usual number on whites and Jews. And he wrapped up his

MEANWHILE

ugly speech by urging his listeners, if attacked, to retaliate by treating the police the way some officers in Brooklyn allegedly treated Abner Louima, a Haitian immigrant who prosecutors say was tortured while in police custody last year.

Mr. Giuliani, who is supposed to be the mayor of the entire city, abused the power of his office by turning a large section of Harlem into a police encampment. By doing that he humiliated thousands of perfectly peaceful and law-abiding residents whose only offense was that they are black.

But a funny thing happened on the way to the riot. The people kept their heads. They never bought into the hateful rhetoric spewed by a succession of clowns from the speakers' platform. And they refused, despite feeling bitter

and hurt, to lash out at the police officers who showed up by the thousands on Saturday morning and locked down the neighborhood.

The cops came ready for war. Residents who emerged from their apartments and brownstones at the start of a beautiful holiday weekend were greeted by an army of police officers who had arrived with helicopters, horses, tractor-trailer trucks, buses, cars, vans and motorcycles. Police barricades seemed to go up everywhere. Subway stations were shut down, their entrances blocked by yellow tape that read, "Police line — do not cross."

"I think it's terrible," said Debra Morrison, who belongs to a community group called the Harlem Gateway Committee. "It's like they want trouble."

Dozens of blocks surrounding the site of the afternoon rally were closed off. People attempting to go to the rally were treated perversely. The police would tell them they could approach the site from, say, 123d Street. The people would walk to 123d, only to be told they would have to go down to 119th. There they would find that 119th was closed, and so on.

"Why are they doing this?" a woman asked. She was on the verge of tears. Another woman said, "I'm trying to get to my church, but they won't let me." A woman beside her said, "I'm trying to go home."

A man who walked away from one of the barricades said, in obvious frustration: "I can't let it get the best of me. They treat us like we're all criminals."

But tolerating what Rudolph Giuliani is doing to "restore order" in Harlem, because Washington relies on him to enforce the Dayton agreement, is like choosing Soviet order in 1968 over Prague's springtime. It is the sort of thing that ends badly.

International Herald Tribune, Los Angeles Times Syndicate.

Rudolph Giuliani would never, but never, treat an entire neighborhood of white people the way he treated the people in the vicinity of Lenox Avenue on Saturday.

The Million Youth March was a failure in the sense that only a few thousand people showed up, and very few of them were teenagers. Mr. Muhammad's message of hate was soundly rejected by young black people.

But Mr. Giuliani, by displaying his police as if all black people were a mortal threat, succeeded in intensifying the opposition among blacks toward him and his policy of police overkill. The anti-Giuliani feeling among

The mayor deployed the police as if all black people were a mortal threat.

black people in New York City is overwhelming and growing.

There was no need to have helicopters swooping down and buzzing the rooftops on Lenox Avenue on Saturday. This was Harlem, not Vietnam.

There was no need for cops in riot gear to snarl a rally that was ending. The rally had certainly been repugnant, but it was neither violent nor illegal. The threat to the peace came from Mr. Giuliani's police.

The mayor is playing with fire. He may feel that it is in his political interest to keep beating up on black people. It may help him as he does his little dance in front of Republican groups around the country that had no use for black people to begin with. But it is not in the city's interest.

Black New Yorkers are fed up with Mr. Giuliani's abuse and contempt. He seems not to care, which ensures that a bad situation will only get worse.

The New York Times.

Prague 1968 and the West's Toleration of the Kosovo Crisis

By William Pfaff

PARIS — The 1968 Prague "springtime" of democratic reform lasted into the summer of that year, to be eventually terminated by the intervention of a quarter-million Soviet, Bulgarian, Polish, Hungarian and East German soldiers during the night of Aug. 20-21.

The Czechoslovaks' effort to cast off a stultifying and oppressive Soviet orthodoxy had come 12 years after the Poles and Hungarians tried and failed to do the same thing, and 15 years after the uprising of East German workers in Berlin in 1953.

The Czechoslovaks' was the peaceful rebellion, the "reasonable" one, which attempted to persuade the Soviets that a better communism would result — a reformed communism "with a human face" that would earn the confidence of the people and could therefore stabilize the Communist bloc.

Leonid Brezhnev, Soviet leader at the time, seemed at

first intrigued by the new course taken by the Czechoslovak party under Alexander Dubcek. Mr. Dubcek took over the Czechoslovak party in January 1968, at a time when society was in artistic and intellectual ferment, and political change seemed not only desirable but feasible.

The democratizing reforms Mr. Dubcek allowed evoked a wave of approval from the people, but made the party apparatus as well as the Soviet leadership fear that the outcome could be a loss of party control in the country, and even Czechoslovakia's "defection" from the "Socialist camp."

They were too rigid to grasp that an opportunity was being presented to them, an opening that could lead toward negotiated "disengagement" in the Cold War. Negotiated disengagement had been proposed in the 1950s by both Winston Churchill and George Kennan, to Western skepticism.

In the 1960s it might have

preserved legitimate Soviet security interests while appeasing the accumulating unrest and national feeling in Central and Eastern Europe that would eventually destroy the Soviet system.

A witness to this was Paul Lendvai, a Hungarian-born journalist who left his country as part of the 1956-1957 postrevolutionary exodus and subsequently became one of the most important and influential of the Western journalists covering the region, working for the Financial Times of London and other papers, and eventually with Austrian radio and television.

A Socialist Party activist as a teenager in early postwar Hungary, at 19 he became a journalist on the official Communist daily, following the Communists' 1947 takeover of the Socialist Party and seizure of power in Hungary. Five years after that he became a political prisoner, on

charges, one of thousands caught up in Stalin's final round of purges. Eventually he was accused of being a Trotskyite, which presented a problem since he had never read Trotsky. After Stalin's death he was released but denied work for three years.

The "logical delirium" of those times, the "controlled schizophrenia" of its ideologized thought processes (to use Arthur Koestler's terms), are splendidly conveyed in Mr. Lendvai's new autobiographical account, "Blacklisted: A Journalist's Life in Central Europe."

The controlled schizophrenia is what subsequently blocked reform throughout the bloc. A real disconnection from reality had occurred among the leaders: the result, as Mr. Lendvai writes, of the leaders' own "collective plot" to keep reality a secret from others.

Eventually reality became a secret from them as well.

This is why it was impossible for the Soviet leadership to allow the Czechoslovak reforms to succeed. That would have required dealing with the facts of Czechoslovak life and possibility in 1968 — which really is all that the people were asking.

The 20-year-old student Jan Palach, who in January 1969, following the invasion, immolated himself by fire, did so because he "could not bear the triumph of hypocrisy, the return in force of the lies" that had accompanied Soviet tanks into Prague in August 1968.

The West did nothing of serious consequence either to block the invasion of Czechoslovakia when it was clearly foreseeable or to punish it after it had happened. The

Western governments were inhibited by a fear not unlike that which has kept the North Atlantic Treaty Organization from intervening in Kosovo.

They were afraid that change in Czechoslovakia might unbalance what seemed a secure Cold War relationship with Russia. The other Warsaw Pact countries would be contaminated by successful Czechoslovak reform. Where might that lead? Better that the Soviet Union kept order in Eastern and Central Europe.

The analogy with Kosovo

today is valid only in part. Concern about the possible consequences of a successful drive by the Kosovars to create a "greater Albania" is entirely justified.

But tolerating what Slobodan Milosevic is doing to "restore order" in Kosovo, because Washington relies on him to enforce the Dayton agreement, is like choosing Soviet order in 1968 over Prague's springtime. It is the sort of thing that ends badly.

International Herald Tribune, Los Angeles Times Syndicate.

Within Society

When a society is in a state of crisis, it is often the case that the most significant changes are those that are not planned or intended. This is particularly true in the case of the Soviet Union, where the recent events have shown that the system is capable of undergoing a radical transformation without any formal declaration of intent.

The Soviet Union has been a source of fascination and concern for the West for many years. The recent events have shown that the system is capable of undergoing a radical transformation without any formal declaration of intent.

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LETTERS TO THE EDITOR

About Taiwan

Regarding the report "Taiwan's Leader Takes a Defiant Line" (Sept. 1):

While President Lee Teng-hui is to be commended for his contribution to the democratization and "Taiwanization" of the island's political structure and for his efforts to preserve the hard-won freedom of the 22 million inhabitants of Taiwan, there are glaring inconsistencies in his policies.

President Lee is right in asserting that only the people of Taiwan have the right to determine their own destiny. His advocacy of ultimate unification with China, however, improperly prejudices the people's choice. To be sure, this goal of unification is subject to a precondition that China must first become a democracy. Nevertheless, there are problems with the announcement of such a policy goal. First, China and the United States tend to hear only the word "unification" and ignore the precondition. The misunderstanding could lead to miscalculation and military conflict.

Second, the emphasis on the goal of unification with

China deprives the Taiwanese of hope for a democratic future independent of China. The result is low morale in the military and the general population. Uncertainty about the future also contributes to social decay, as evidenced in high crime rates.

Lee Teng-hui's complaint about Taiwan's international isolation is legitimate. Yet Taiwan's secluded status is partly due to the government's clinging to the fiction that the Republic of China on Taiwan has sovereignty over the whole of China and Outer Mongolia. The government needs to recognize reality by adopting a new constitution, redefining its territory to include areas actually under its control and changing the state name to Taiwan.

The United States should refrain from words and actions that cause its democratic friends and allies to doubt America's reliability and integrity. In engaging China, the United States needs to insist on respect for human rights and the peaceful determination of Taiwan's future.

As a nation, we Americans cannot side with authoritarian China to help China destroy Taiwan's democracy. If we

do we will lose our national honor and our ability to influence the behavior of other nations. Protection of democracy in Taiwan will enhance peace and stability in East Asia as well as America's long-range national security.

JAY T. LOO, Lansdale, Pennsylvania.

Those who would impose Bill Clinton's third "no" on Taiwan — no support for Taiwan's membership in international organizations that require statehood (along with no support for Taiwan independence and no support for two Chinas) — appease political egos at the price of denying aid that could relieve some of the world's greatest miseries.

Given Taiwan's high level of development and very considerable surpluses of foreign currency, it is clear that Taiwan would be a valuable participant in international organizations.

Refusing Taiwan's participation in the World Health Organization means fewer villagers in developing countries receive health care. Refusing Taiwan's participation in the Food and Agriculture Organization means more of the world's impoverished people

go hungry. Refusing Taiwan's participation in Interpol means more of the world's criminals remain at large.

Similar arguments can be made for Taiwan's participation in other international organizations, the vast majority of which are established to bring relief to the suffering and stability to human relations.

President Lee Teng-hui is right to resist those who would force Taiwan's reunification with Communist China. After all, one of the fundamental principles of the United Nations is to develop "friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples." But then Taiwan is not permitted to participate at the United Nations either.

BILL CLARK, Jerusalem.

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What's Next? Previews From Fashion to Furnishings

By Suzy Menkes
International Herald Tribune

PARIS — Even before vacationers have had time to shake the sand out of their sneakers, fashion is looking toward next summer and over the rim of the new millennium.

Decorative, innovative and artistic imagination were the themes of a strong Prêt-à-Porter women's wear exhibition, held in conjunction with other fashion and accessories trade fairs at the Porte de Versailles over the weekend.

Since many exhibitors work on short deliveries, the exhibition gives an overview of what is happening in the penultimate season of the old century.

The message is a return of all things womanly, from bust darts through delicate, spidery embroidery and pretty colors — as though fashion were shaking off the aggression and androgyny that went with the feminist era.

That means a strong focus on the dress, long, often layered in gauzy fabrics but also draped, wrapped and tied — like the knotted styles in dusky, hand-dyed shades from the Belgian designer Rudy Deboyser at Eticetera.

The pleated skirt has swept in, set on a basque, in light fabrics either over-knee or ankle-length (from Isabel Marant). Unlined jackets look either like blouses or square-cut work shirts (at Bensimon), along with the sailor top (in classic navy from Mer du Nord and in beige suede from Michel Klein).

Other girly touches are raised-waist dresses, peasant blouses and even little-girl, nursery and rosebud prints (from Honore).

The sexy, clingy stretch dress and saucy lingerie effects are now on hold, although stretch remains a vital component of tailored clothes and there were linen dresses and tops with lace trappings at Whistles.

"It's a very pretty season," said Lucille Lewin of Whistles, whose beaded cardigans, cropped pants and sweet colors were typical items in the Atmosphere d'Ete section of the show.

For many exhibitors, clothes are getting daintier and smaller, whether it is a ballet wrap top and minuscule buttons on shrunken cardigans at the British company Artwork; or the tiny knitted shoulder-strap from the Spanish

Womanly Wear

Amaya Arzuaga. More downsizing comes with the delicate beaded jewelry, often strung on wires and with trimmings, like the tiny rickrack braid from Batiste.

The fabric of the season? Make that fabrics. An exceptional number of outfits — skirts, dresses and pants — appeared with wide borders in a contrasting material or color. In fact this was often a way to sneak richer color into otherwise plain clothes.



Leaf-patterned skirt from Munthe plus Simonsen.

A perpetual play on textures brought mixes of "wet" and "dry" fabrics, like the plastic shoulder straps on a slip dress at the Belgian Anvers.

Other graphic borders were based on tea towels, a utilitarian look that appeared at Junk by Junko Shimada and at Foret de France, whose traditional linens and cottons were made up into apron dresses.

This return to authentic fabrics was made intriguing at Hannon, where the designer Hanno Wessell showed, among crisp cotton clothes banded with

crosses of tape, jackets that were recycled from linen sheets. They were bought from the flea market, treated and then dyed in potpourri colors.

Authentic is often synonymous with "natural." The back-to-nature look included leaf prints on banded dresses from Irene Van Ryb and photo prints of trees and bark and embroidered trees from Munthe plus Simonsen of Copenhagen. Designer Naja Munthe, a favorite with the Danish model Helena Christensen, captured with her simple dresses in layers of texture the spirit of next summer's style.

What's on? Sharp tailoring and baggy pants, although there are a variety of new cropped pant shapes, set on a narrow, side-wrapped low-slung waistband.

The rapper and military looks, with the ubiquitous cargo pants, had moved away to a different part of the fair called Who's Next, where a café called Ethno/Techno summed up the mood.

Among the denim (dark) and the shoes (suede sandals in sugared almond colors from Clarke, Dr. Martens and Hush Puppies) were dramatic, attention-grabbing installations. They included a Mad Max low-tech scenario, a replica of a 1950s kitchen and a set of Barbie dolls strung about with candles.

With some New York designers showing six weeks earlier than usual, the question of timing is uppermost in the minds of fashion folk. Gerald Roudine, executive vice president of the Prêt-à-Porter salon, said definitively that there was no question of bringing the French salon forward. But that future plans ought to include integrating the different trade fairs rather than running them separately.

"We need to create virtual shows, with fashion alongside furniture and decoration — they should be complementary," he said, referring to the fact that many fashion designers create home collections and they would logically be shown alongside the clothing — rather than on the other side of the city.

But Roudine was optimistic in general about the French market, which seems to have picked up after several years in the doldrums. This feeling was endorsed by the upbeat mood of the exhibitors who claimed that buyers were spending big money at the fair.

Home for Rustic Chic

International Herald Tribune

PARIS — Feathers fluffed around a soft cashmere pillow offer the most elegant of nests to an urban dweller. You can imagine a pile of those thrush-brown cushions trimmed with ostrich plumes creating a country den in the heart of the city.

They are typical of a move away from *la vie de chateau* to the gardener's lodge for the French decorating industry. Out goes the gilded grandeur of Louis whatever. In comes rustic chic.

The luxury of simplicity, using noble materials and fine craftsmanship, was the message from Scenes d'Interieur, part of the Salon International de la Decoration, which includes furnishings, giftware and what the French call *arts de la table*.

Think of that table as wooden, distressed to look like it came from a farmhouse kitchen, dressed in a meaty linen tablecloth and set with plates, each with a subtly different hand-painted design.

Don't forget the obligatory scented candle — not the exotic perfume of lilies, but the homely smell of fresh tomatoes. That is what you get from the Parisian florist Christian Tortu, whose forest fragrance, leaf plates, zinc flower vases and wine-red orchids set the tone.

As with fashion, so with the home, it is time to move on from the monastic and minimalist with subtle embroideries, with mixes of grainy and sleek textures and with judicious strokes of color.

"Natural colors and things that are contemporary as well as traditional," said Patrick Frey, displaying his new collection of cast-iron pillows, throws and bedcovers, in beige with red, black or tan borders.

Also in the country spirit from Pierre Frey and its associated companies: abstract foliage patterns like stenciled maple leaves on table cloths; a set of six plates, each painted with a different garden gazebo, and Alpine scenes of sleds and snow-sprinkled conifers. The latter are part of a Christmas range that has been given a new focus in the

French exhibition. Drawing on the country for designs for the city means rustic chairs, apparently built from tree branches, lamps that look like a bunch of twigs and feathers wafting from lampshades, as well as edging those cushions, from Fabienne Villacres in the south of France.

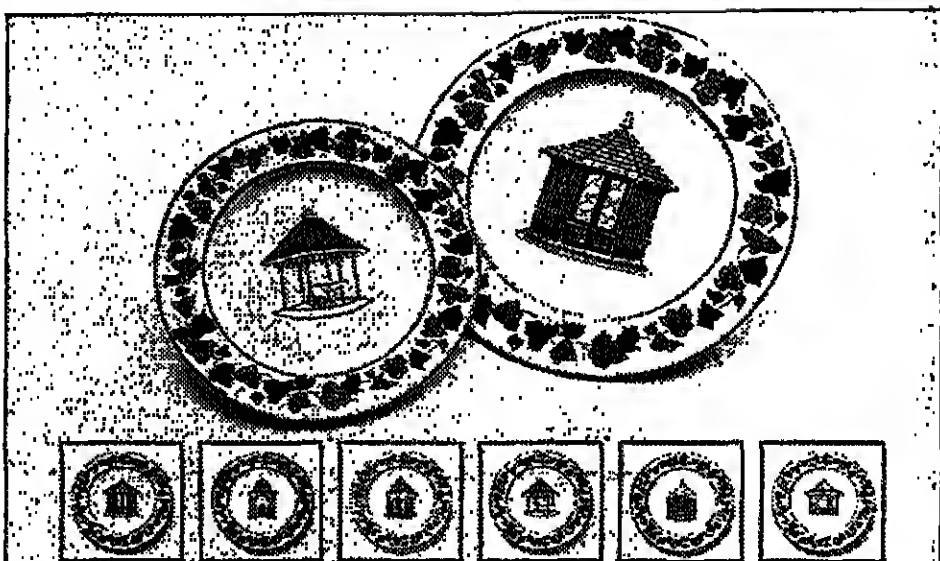
The richness and variety of the French provinces furnishes Veronique Pichon's yellow and lettuce-green glazed pottery from Uzès; the woven Catalan textiles in vivid colors from Les Toiles du Soleil in Perpignan, near the Spanish border, and the Provencal prints or the silks in sunny orange and cool blue/green ocean shades at Souleido.

The Belgian designers bring their particular rough-hewn Flemish look, meaning pottery painted with vegetables or wheelbarrows from D & M Depot of Antwerp; and the horticulturally inspired wicker vases, birdhouses, gray terra-cotta pots and rustic candles from Maison d'Etre.

Le Prince Jardinier is proof that rustic rules. Its traditional trowels, hoes, dibbles, tweed vests and linen aprons were created by Prince Louis Albert de Broglie, who lives in the family chateau, but is inspired by the great outdoors.



Suzy Menkes



Villacres's feathered pillows, leaf plate from Christian Tortu and Pierre Frey plates.

Power and the Queen of Punk

By Suzy Menkes
International Herald Tribune

LONDON — Although she would have been unlikely to forget her underpants when visiting Queen Elizabeth — and then absently give the waiting photographers a twirl — former Prime Minister Margaret Thatcher otherwise bears a startling resemblance to the anarchic fashion designer Vivienne Westwood.

Fixing your eyes with their clear, baby-blue eyes, blonde curls creating an otherworldly halo, both harangue their unfortunate victims.

The mix of didactic information and absolute conviction precludes any conversation. The instinct is to bolt. Yet such is the power of their presence, you feel obliged to listen meekly and dumbly. Westwood can achieve this effect even by telephone.

Looking into their back-grounds, you realize that these women are soul sisters. Thatcher was born in the eastern town of Grantham, all grit and twirling net curtains, where she lived above her father's grocery store and learned the value of thrift, enterprise and the work ethic.

Westwood comes from a small town in the northern Pennines, lived above her mother's post office and learned the above values so well that when it came to creating copies of sadomasochistic gear to sell in a Swinging London boutique, she was a dab hand with the needle and remained head down, sewing away at the kitchen table while the punk movement exploded around her.

If Westwood had found some sturdy, steady golf-playing character like Denis Thatcher, she might never have become the Queen of Punk and the founding mother of anarchic fashion.

Instead, as a young mom with limited horizons, she fell into the arms of Malcolm McLaren, a scrawny kid with a mop of rusty hair, who was armored with cynicism by an uncomfortable childhood in a dysfunctional family.

He became the love of her life and her Svengali. Between them (each bolstering the other's insecurity) they politicized fashion, putting seditious messages on T-shirts, celebrating kinky sex and kicking out against the establishment.

They also elevated into an art form Westwood's fondness for drawing attention to herself.

When she pranced out at age 50-

something in panty hose decorated with a strategically placed fig leaf, or when she collected that honor from Buckingham Palace without her underwear, she was pursuing a long career as an exhibitionist.

At that moment of epiphany in 1992 before Queen Elizabeth (the hierarchical symbol of a class system that Westwood both respected and resented), her fashion business was worth a pathetic £600,000 a year.



Westwood in tweed crown and Rocking Horse shoes.

The woman who was internationally renowned for her power and precience was living hand to lipsticked mouth in slummy chaos: cardboard cartons here, rickety ironing board there, only a kernel of fanatically loyal staff and her own two neglected (but not disaffected) sons keeping bankruptcy at bay.

This is where the fashion historian Jane Mulvagh found her in 1983, in risible but almost ooble contrast to the architects of the "designer decade" with their palazzos, yachts and social graces.

From a quirky personal friendship with Westwood over 15 years and from penetrating research, Mulvagh has created the most compelling fashion biography to have come out in years.

"Vivienne Westwood, an Unfashionable Life," published by HarperCollins, is honest, witty, perceptive

about English society and vivid in its portrayal of a designer as spiky and wayward as she is brilliant and original.

Self taught (her mother, Dora, dismissed books as "a waste of time"), Westwood later became what a colleague described as "the best school teacher" of her generation, before taking up (or more accurately "tearing apart") fashion. She retained in the hair-torn of her sexy but costume clothes the sense of educating her public.

In Mulvagh's lucid prose, Westwood's character and contribution to fashion is dissected dispassionately, but sympathetically.

Each chapter is filled with insights into Westwood's character, formed by the loving, lasting, exclusive relationship of her own parents and by what the designer herself describes as "an in-built perversity... which always reacts against anything orthodox."

One vignette has Westwood boiling up chicken bones to use as voodoo lettering on T-shirts; another has her, as tongue-tied as any provincial hick before a Christian Dior executive, blow the chance that Mulvagh had set up to insinuate the street-wise British designer into Paris haute couture.

And yet Westwood has made it. Although the fast pace of her story momentarily flags as McLaren moves out of the frame and the designer, with the help of an Italian backer, builds a serious business, the book concludes with her enjoying financial security, private

happiness and the ultimate badge of fashion honor: a designer fragrance.

In her discussion of Westwood's relationship with her current Svengali, the bisexual Andreas Kronthaler, whom she taught as a fashion student in Vienna — Mulvagh is clear-sighted.

So is her judgment of Westwood's important yet maverick place in fashion history as an absolute creator whose prototype ideas were developed by (and often credited to) others.

Westwood originally agreed to cooperate with the author, then withdrew her consent.

RESERVATION ROAD

By John Burnham Schwartz. 292 pages. \$24. Alfred A. Knopf.

Reviewed by Michiko Kakutani

THE cover of John Burnham Schwartz's new novel, "Reservation Road," depicting a country gas station, is reminiscent, in a crude way, of Edward Hopper's famous 1940 painting "Gas." There is something lonely and haunted about the picture, a sense of isolation, even impending menace.

Not only does the gas station in the painting play a pivotal role in this psychological thriller, it is the place where 10-year-old Josh Learner is struck and killed by a hit-and-run driver — but the painting's mood of brooding loss also underscores the novel's haunting evocation of the precariousness of ordinary life.

What happens in the opening pages of "Reservation Road" is this: The Learners are returning from a concert to their home in upstate Connecticut when they stop at a local gas station. A speeding car suddenly careens around a bend, striking Josh, who is standing at the side of the road. He is killed instantly, but the car continues on its way as Josh's father,

Ethan, tries, in vain, to give chase. The remainder of the novel is devoted to chronicling the emotional fallout of this awful accident on both the Learner family, and on Dwight Arno, the hit-and-run driver responsible for Josh's death.

Although "Reservation Road" marks a big departure in subject matter and tone from Schwartz's first novel, "Bicycle Days" (1989) — a comic Bildungsroman about a young American trying to begin a new life in Japan — the two novels share an emotional density of experience and a writerly concern with language and domestic detail. In fact, it is Schwartz's authoritative depiction of his characters' inner lives — their efforts to come to terms with Josh's death and their own feelings of guilt, anger and grief — that makes this novel so compelling to read, despite its somewhat jerky-built plot.

Cutting back and forth between the voices of Ethan Learner and Dwight Arno, Schwartz meticulously depicts the immediate aftermath of Josh's death: the Learners' stunned disbelief that "one minute there is a boy, a life thrumming with possibilities, and the next there are marked cars and strangers in uniform and the fractured whirling lights," and Dwight's equally stunned realization that

in a brief second he has become a murderer, the inadvertent thief of a child's life, a boy the same age as his son, Sam.

Writing in lyrical, carefully hammered prose, Schwartz does a sensitive job of showing us the mathematics of loss as they apply to both the Learners and to Dwight, a man depicted not as your usual villain, but as an unlucky, frustrated individual devoted to his son.

When it comes to orchestrating the thrillerlike aspects of this novel, however, Schwartz is decidedly clumsier. Though "Reservation Road" is highly suspenseful, its author's efforts to put Dwight and Ethan on a collision course often feel highly synthetic.

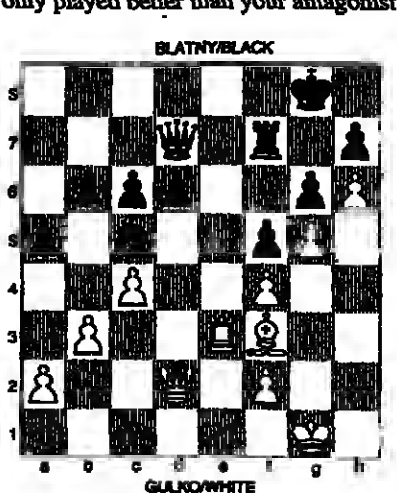
As the novel speeds toward its melodramatic conclusion, the coincidences, too, begin to proliferate: It just so happens that Dwight's ex-wife is Emma, a music teacher, and it just so happens that Ethan runs into Sam, who tells him about the night his father's car hit a dog. No doubt we are meant to believe that such uncanny events could easily happen in a small town, but in "Reservation Road" they feel hokey and contrived and in retrospect they cast a small but lingering shadow over what is otherwise a powerful and affecting novel.

New York Times Service

CHESS

By Robert Byrne

EVERY chess player beyond the neophyte stage gets caught up in the striving for perfection. After the game is over, no matter whether it was for a club championship or only a park bench struggle, the players replay it to see whether the winner should really have won or whether he was just lucky that his opponent failed to find a saving defense. Perfection is hard to come by. Mostly you have to be satisfied that you only played better than your antagonist



Position after 34...b6

and that you both performed on a level short of flawless.

Nevertheless, Boris Gulko of Fair Lawn, New Jersey, with Jodi Polgar of Hungary the 1998 United States Open co-champion, produced a model of positional efficiency in his game with the grandmaster Pavel Blatny of the Czech Republic in the title tourney at the Kona Surf Resort in Kailua-Kona, Hawaii.

In the English Opening, the sortie with 3...Bg4, aiming for the creation of doubled pawns after 4 d4 Bf3 5 e4, has attracted considerable attention in the last few years. Earlier, it would have been thought extravagant to part with the bishop pair for so little in return. The doubled white f pawns are not vulnerable, though it is difficult to use them for attack.

After 11 O-O, Blatny retreated with 11...Nb8 so he could take control of the d5 square away from Gulko, following 12 f4 by 12...c5. After 13 Bf3 a5 14 g4 Nf7 15 Ne4, Blatny returned a knight to a reasonable outpost with 15...Nc5.

But in that same sequence, Gulko got his king bishop into its best location with 13 Bf3 and started seizing kingside space with 14 g4. His 15 Ne4, after 15...Nc5, gave him time for 16 Qc3!, so that Blatny could not challenge the white queen bishop's diagonal with 16...Bf6. Thus, Blatny had to go on the defensive with 16...Bf8.

Gulko's 18 Nh5 made sure that Blatny had to play 18...f6, weakening the

black kingside pawns and taking away the f6 square as a later perch for a black knight.

If, after 31 h4!, Blatny could have gotten the queens off the board, he would have had good prospects of defense, but he didn't manage it.

Gulko's 35 Qd4! threw the black position into the state called Zugzwang, in which any move loses: 35...Kf8 allows 36 Qh8 mate; 35...Re7 allows 36 Bc6!; 35...Qc7 allows 35 Re8 Rf8 36 Rf8 Kf8 37 Qh8 Ke7 38 Qh7.

Blatny chose 35...Ne6, but after 36 Qb6 Nf4 37 Bc6, he had to lose his queen and gave up the hopeless situation.

ENGLISH OPENING

White	Black	White	Black
Gulko	Blatny	Gulko	Blatny
1 c4	e5	19 Ra1	Re7
2 Nc3	d6	20 Ng3	g6
3 Nb3	Bg4	21 Re7	Qc7
4 d4	Bf3	22 Re1	Qf7
5 e4	ed	23 Ne4	Re4
6 Qd4	Nf8	24 Re4	Nc5
7 Be2	Nc6	25 Re3	Bg7
8 Qc2	Be7	26 Qe1	Rf8
9 h3	O-O	27 Qd2	Qc7
10 Bb2	Re8	28 g5	f5
11 O-O	Nb8	29 Bg7	Kg7
12 f4	c5	30 Qd4	Kf8
13 Bf3	a5	31 h4	Rg8
14 g4	Nd7	32 h5	Qd7
15 Ne4	Nc5	33 h6	Rf7
16 Qc3	Bf8	34 Qd2	b6
17 Ng3	Nb6	35 Qd4	Ne6
18 Nb5	f6	36 Qb6	Nf4
		37 Bc6	Resigns

Europe Gains on U.S. In On-Line Commerce

Gates Sees 'Pretty Exciting' Opportunities

By Victoria Shannon
International Herald Tribune

PARIS — With much of Asia in recession, Europe is positioned to compete with and perhaps even surpass the United States in some areas of electronic commerce in the next four years, Internet experts said at a conference here Monday.

Europe, long seen by technology analysts as two to three years behind American acceptance of the Internet, is experiencing the fastest rates of Net growth, according to the latest research by International Data Corp., sponsor of the conference. These advances could allow Europe to surpass U.S. industries and niches on the World Wide Web by 2002, said Frank Gens, International Data senior vice president.

Bill Gates, chairman of Microsoft Corp., likewise said at the conference that "the opportunity here in Europe is pretty exciting right now."

"The move towards the euro is a very important step. I think that's been well organized," he said. "The economies are coming up. The recognition that the investments need to be made is definitely here."

Mr. Gates added, "If there's anything holding it back, it'd be the skills shortage." He said the shortage of professionals with information technology skills was even greater than in the United States.

About 23 million of 97 million regular World Wide Web users are in Europe, according to International Data estimates for 1998, yet they account for only \$2.9 billion of a total of \$32 billion in on-line sales. That is 24 percent of users, but only 9 percent of Web commerce.

A year ago, "Europe seemed to be somewhat comatose in some respects in terms of its embrace of the Internet," Mr. Gens said.

But now, surveys show that "Europe has become much more active and much more aggressive in its use of the Internet, both on the buying side as well as the selling side," he said.

International Data estimates that by 2002, 23 percent of those making electronic purchases on the Web will be Europeans, and that they will be buying \$55 billion worth of goods and services. That translates into an annual growth

rate of 109 percent in Web commerce, while yearly increases in Net users will be 38 percent in Europe, greater than in the United States and other regions, International Data says.

The firm calculated that worldwide, Internet commerce was growing at about 30 times the rate of economic growth. In Europe, e-commerce is sprouting faster, and is expected to run at closer to 40 times the growth rate over the next four years, Mr. Gens said.

Mr. Gates, who did not talk about the antitrust case against Microsoft in the United States, conceded that his company's profile among European businesses was not as high as at home. "There's a need to reach out here in Europe to the companies and to the professionals and get the message out about what's possible," he said.

Mr. Gens cited Germany and the Nordic countries as the most "e-commerce ready" in Europe, with France and Italy lagging. He also argued that businesses were in transition from investing in the Internet to generating revenue.

"In 1998, if someone is not making a profit on the Web, they are typical," he said. "As we go up to 2000, 2001, we will shift from an investment mode to a return mode, a period when we start getting profits from this major investment."



NEW RULES FOR HONG KONG — Financial Secretary Donald Tsang, after proposing new regulations Monday for markets. Page 16.

A Boeing Apology, A Confident Airbus

Largest Jetmakers Send Contrasting Signals

By Tom Buerkle
International Herald Tribune

FARNBOROUGH, England — In a striking juxtaposition of the shifting fortunes of the world's two big commercial aircraft makers, Boeing Co. issued a blunt apology Monday for its poor operating performance, while a confident Airbus Industrie said it was on track to capture at least 50 percent of the global market.

The contrasting tones, rather than big aircraft orders, dominated the opening day of the biennial Farnborough Air Show, the biggest event on the aerospace industry calendar this year.

But Airbus and Boeing did find some common ground as both sent clear signals that they would seek to cut back on price discounting, an indication that their recent intense competition has cut profitability.

In the strongest self-criticism since Boeing removed Ronald Woodard as head of its commercial aircraft division last Tuesday, Harry Stonecipher, chief operating officer and the No. 2 executive behind the chairman, Phil Condit, said the Seattle giant had often been "too arrogant, too distracted or too self-satisfied" after its \$16 billion purchase

of McDonnell Douglas Corp. last year. He promised that the company would renew its focus by sorting out its production difficulties, reducing costs and selling peripheral interests like its commercial helicopter business.

"The Boeing Co. has suffered from a single cause over the past year," said Mr. Stonecipher, who headed McDonnell Douglas before the merger. "It isn't Airbus, it isn't Lockheed or any other competitor that we have. It has been our own failure to execute inside."

By contrast, Noel Forgeard, the recently appointed chief executive of Airbus, was ebullient about the consortium's prospects because of a string of recent successes, including a multibillion-dollar order from British Airways PLC this summer that ended Boeing's monopoly with the carrier. That coup, in which Airbus will sell British Airways as many as 188 short-haul planes, "gives solid foundations to our will of consistently winning at least 50 percent of the market," he said.

Airbus also vowed to broaden its product lineup to match or exceed Boeing's. It said it expected to formally introduce a 100-seat jet, the A318, this year. The aircraft, a smaller version of the A320 family that will cost a little more than \$300 million to develop, will compete in the booming market for regional jets with the Boeing 717, which is the renamed McDonnell Douglas MD-95. The A318 is expected to go into service in 2002, three years after its rival.

Mr. Forgeard also renewed Airbus's commitment to continue work on a 600-seat superjumbo, which the company hopes to introduce by the end of 1999 in an effort to hurdle past the Boeing 747 at the top of the market. The program will have a lifetime of at least 20 years, and the plane's development should not be deterred by the economic crisis in Asia, even if it does crimp the buying plans of Asian airlines for several years, he said.

But in a sign that Airbus may have minimized the challenge previously, he put the development cost of the airliner at \$10 billion, or \$2 billion higher than earlier estimates.

There were other cautionary words

Greenspan's Interest-Rate Warning Hammers Dollar

Compiled by Our Staff From Dispatches

LONDON — The dollar was battered against other major currencies on Monday, particularly the yen and Deutsche mark, after the Federal Reserve Board chairman indicated last week that U.S. interest rates could head lower.

The talk of lower interest rates dragged the dollar down 2 percent to a four-month low against the yen and a nine-month low against the Deutsche mark.

"The Fed has changed its stance on rates," said Gerry Celaya, an analyst at American Express Bank who sees the dollar falling further. "It's the only reasonable thing to do. The dollar hasn't yet seen its lows."

"Greenspan seems to have confirmed what a lot of people have been saying,

but it's still another excuse to sell dollars," one U.S. bank dealer said.

The dollar fell as low as 130.50 yen, its lowest since April 24, from 133.75 late Friday in London. It was quoted late in the day at 131.82 yen, down from 133.57

FOREIGN EXCHANGE

yen in 4 P.M. New York trading Friday.

The dollar fell to 1.7208 DM in London, a low since Nov. 13, and was quoted late at 1.7247 DM, down from 1.7345 DM Friday in New York.

Traders said the absence of New York trading exacerbated the decline. U.S. markets were closed Monday for a Labor Day.

Late last week, Mr. Greenspan sug-

gested that the recession in many Asian countries and other emerging markets may rein in U.S. economic growth. "It's just not credible that the United States can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress," he said.

He said that the policy-setting Federal Open Market Committee "will need to consider carefully the potential ramifications of ongoing developments" since its last session Aug. 18.

Steve Barrow, a currency strategist at Bear Stearns International, said, "Greenspan probably went as far as we could have expected in suggesting the Fed will move to a neutral bias" from a bias to raise interest rates. "We could see the dollar slide through 1.70 DM and

130 yen rather quickly," he added.

Just two months ago, Mr. Greenspan said he was concerned that low unemployment and rising wages might cause inflation to accelerate. The prospect of a change in the Fed's stance undermines demand for the dollar, since lower rates produce a less attractive money-market return on dollar deposits.

The fed funds rate is now 5.50 percent, compared with a record-low 0.5 percent in Japan and 3.30 percent in Germany.

"A lot of store is being put into the U.S. cutting interest rates," said Paul Duncombe, an investment director at State Street Global Advisors. "The dollar is probably a little oversold against

See DOLLAR, Page 16

See AIR, Page 16

Thinking Ahead/Commentary

Mideast Needs Western Attention

By Reginald Dale
International Herald Tribune

TEL AVIV — One of the few sure things about the Middle East is that it is receiving much less world attention than it used to. Thanks partly to the end of the Cold War, ultra-cheap oil and major distractions elsewhere, the United States and its Western allies have downgraded the Arab-Israeli conflict as a foreign policy priority.

That is a pity. The continuing impasse in the Israeli-Palestinian peace talks is creating growing tensions. It is helping to fan the flames of extremism and terrorism and is damaging the credibility of moderate Arab governments.

Equally seriously, the stalemate in the negotiations is also retarding urgently needed economic development in Jordan and in the areas under Palestinian control, which in turn undermines support for the peace process.

It is not as if there is nothing the West can do. On the contrary, the Middle East today presents what could be a rare opportunity for effective U.S.-European cooperation in economic and foreign policy.

That was a main theme of an unusual international conference that started in Jordan and finished in Israel last week. The meeting, organized by the New Atlantic Initiative, a private Washington-based group working for closer U.S.-European relations, was attended

by Western politicians and academics and by Arab and Israeli leaders.

Despite the inevitable sharp differences between Arabs and Israelis — and between Europeans and Americans — there was more common ground than might have been expected.

Paradoxically, the very fact that the European Union does not have a common foreign policy, though often bemoaned by Americans, actually makes it easier for the EU and Washington to work together.

Any EU common policy would almost certainly be far more pro-Arab than Washington could accept — which is, of course, why the Arab countries want Europe to be more active in the peace process, and why Israel has been so adamantly opposed.

One of the pleasant surprises of last week's gathering, however, was that the Israeli participants seemed more open to some kind of greater European presence in the region, provided the Europeans did not interfere in Israel's bilateral negotiations with the Palestinians.

That would appear to open the way for closer U.S.-European cooperation, with America leading on politics and Europe on economics. In a sense, it is already happening.

Europe is by far the largest supplier of financial aid to the Palestinians, and the EU has ambitious plans for a Mediterranean Free Trade Area incorpor-

ating Israel and its Arab neighbors by 2010.

Much more, however, needs to be done. There is an urgent need to boost trade among Israel, Jordan and the Palestinians, which is too often impeded by petty protectionism on all sides, to promote joint ventures, to encourage investment and to make sure EU markets are as open as possible.

Outsiders cannot do it all. One encouraging feature of last week's conference was a recognition by Israelis that new forms of cross-border cooperation, long urged by Jordan, could be helpful.

Those could range from modest projects in such fields as water, transportation and the environment all the way to a Middle Eastern version of the Helsinki Conference on Security and Cooperation that helped to break down the Iron Curtain in Europe, an intriguing idea proposed by Crown Prince Hassan of Jordan.

None of these steps will bring peace by themselves. But all could help to improve the quality of life and build trust, which is the fundamental requirement for progress. They will have more chance of succeeding if Americans and Europeans put their combined weight behind them.

A West that appears divided and distracted is not going to exert its full influence in the Middle East, or anywhere else.

E-mail address:
thinkahead@washpost.com

CURRENCY & INTEREST RATES

Cross Rates									
	£	¥	DM	FF	₹	₪	₹	₹	₹
Australian \$	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
Canadian \$	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
French F	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
German M	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
Japanese Y	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
Swiss F	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
U.S. \$	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
U.K. £	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
U.S. \$	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28
U.S. \$	1.4905	1.32	1.28	1.28	1.28	1.28	1.28	1.28	1.28

Libor-Libor Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.K. £	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Key Money Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.K. £	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Other Dollar Values									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.K. £	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Forward Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.K. £	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.S. \$	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

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EUROPE

The Gateway to Russia

In Finland, Companies Are Cashing In On Trade Despite the Economic Crisis

By Youssef M. Ibrahim
New York Times Service

HELSINKI — Four years ago, Finland established a free-trade zone along its border to encourage business with Russia, hoping to revive a relationship that had all but collapsed with the dissolution of the Soviet Union.

Acer Inc., a computer company based in Taiwan, decided to test the waters with a modest assembly operation at Lappeenranta, a small outpost on the Finnish side of the border, about 1,000 kilometers (625 miles) from Moscow.

Now the Acer assembly plant can hardly cope with demand from Russia, and the town of a few hundred people has grown into a city of 50,000, dotted with large and small operations for wood products, construction material, food, alcohol and trucking — all targeted for Russia.

"We have the best of both worlds: the safety of operating this side of the border and such close proximity to a huge market," said Natalia Kostina, a Russian who is deputy operations manager of the Acer plant. "Our customers pay less by taking the products assembled here and moving it themselves. They know how to navigate the chaos of Russia, and we avoid the headache of ensuring security. It's perfect."

For as long as anyone in Finland can remember, the 1,300-kilometer border with Russia was viewed as a liability, an origin of invasions and an entry point for refugees and crime. Yet the collapse of the Soviet

Union has resulted in a bonanza for the Finns. In a world tossed into economic turmoil by Russia's dysfunction, Finland is cashing in. "It is a gold mine for Finland," Prime Minister Paavo Lipponen said recently. He added that he expected the trade between the nations to grow, despite the risks.

One analyst here estimates that 20,000 Finnish businesses are engaged in the Russian trade. There has also been a huge increase in investment by such American companies as International Business Machines Corp., Hewlett-Packard Co. and the Carrier and Sikorsky divisions of United Technologies Corp. Several American trucking companies have invested in Finnish operations.

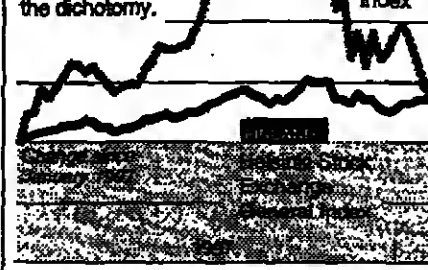
"The foundation was strong," said Jukka Leinonen, director of Hewlett-Packard's Baltic states operations here. "The Finns have known the Russians for a long time. You can drive a train from Finland all the way to Moscow or the Baltics, and it is difficult even for the Russian mafia to harass a train."

Mr. Leinonen said that 20 percent of his company's \$321 million in sales in Eastern Europe goes to Russia and the Baltic states. "It is the fastest growth area for us," he said. "There is not one year since 1992 when our sales did not grow by at least 100 percent."

The Russian economy may be in chaos, but that has not slowed Finland's penetration of its markets. Consider Valio Ltd., a dairy products company that was close to going under in 1990, when it dis-

Getting the Last Laugh

Russia's woes have been good for business in Finland, which supplies Russians who have money to spend. The nation's stock markets reflect the dichotomy.



Source: Bloomberg Financial Markets

covered the rapacious Russian market next door. Today, Valio controls a fifth of the market in its field in St. Petersburg, whose population is about 5 million, is nearly equal to that of all of Finland.

"Their per capita income may be much smaller than ours, but their appetite and purchasing power for some foods — cheese, for example — is huge," said Esa Luomajarvi, a Valio vice president. Russian sales accounted for 10 percent of Valio's \$1.8 billion in revenue last year.

Given the picture of a Russia tumbling out of control, its currency effectively devalued, who in Russia is doing all the buying?

"You name it," said Olli Urvas, manager of Russian trade for Onkkipuu Oy, a large mineral holding company that has six units doing business with Russia. "Retail trade, wholesale, banks, financial institutions, private schools, health care, construction. They all need expertise and are willing to pay for it."

Smaller Finnish operators are doing just as well as larger ones.

"It only takes six hours to drive to Russia from Helsinki," said Stephen Lowe, an independent exporter who operates in the border region selling bananas and other food items. "We are doing a cash business. I stock my goods five minutes from the Russian border and deliver as soon as they pay in rubles, which I convert as soon as I collect, so there are no losses in exchange rates."

Juhani Missonen has a brisk business flying rich Muscovites and their families for weekends in Finland or Cyprus. "I charge \$52,000 to fly a family of, say, five, to Kuusamo," he said, referring to the Finnish winter resort. There are enough Russians able to pay such prices for a three-day vacation to make his Eurofile Ltd. very profitable, he said.

Indeed, Russian tourists are flocking to Finland. More people visited from Russia last year than from anywhere else, according to 232,000 nights' stays and spending an average of more than \$600 a person, according to Pekka Korpinen, deputy mayor of Helsinki.

Bourses Get A Lift From Greenspan

Compiled by Our Staff From Dispatches

LONDON — European bourses gained as much as 3.5 percent Monday as remarks by the chairman of the Federal Reserve Board, Alan Greenspan, prompted hopes that American interest rates had peaked, breathing new life into global stocks.

A rebound in Asian markets also eased concern that recession there would spread to Europe.

But with U.S. markets closed Monday for a holiday, traders remained nervous.

"I think it's a bit dangerous to buy with American markets closed," said Nicholas Charvet, a technical analyst at Ferri SA. He said he would remain cautious all week.

"We're neither bears nor buyers," one trader said. "It's just been too difficult a market — it still is."

Clare Bowman, head of European investments at Scottish Mutual Portfolio Managers, said, "We think Europe is relatively insulated."

Mr. Greenspan's remarks after the end of trading last week implied that the central bank no longer viewed inflation as the big threat to the U.S. economy and that it might cut key interest rates should global financial turbulence intensify.

Bullish interpretations of his words lifted Asian and European markets, but some analysts did not see an immediate end to the turmoil in global equities.

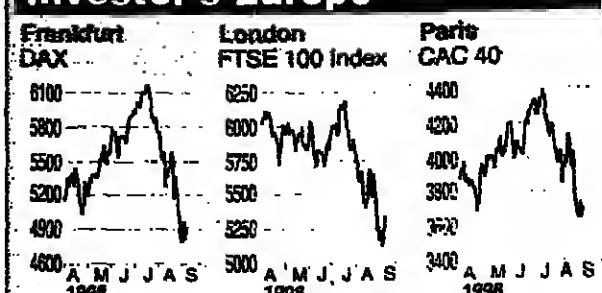
"On the international scene, we want to see some more political stability in Russia as a prerequisite," said Richard Jeffrey, chief economist for Charterhouse Bank. "In Japan, we need to see a fiscal package with credibility that goes some way towards reigniting consumer demand. We also need to have some reassurance from the situation in Latin America as well."

In London, the FT-SE 100 index finished 180 points, or 3.48 percent, higher at 5,347.00, its second-largest daily point gain ever, lifted by hopes that the next move in both British and U.S. interest rates will be downward.

The German DAX-30 index finished 103.12 points, or 2.14 percent, higher at 4,923.37, but traders said it was too early to talk of a recovery.

But the market rebound failed to reach Paris, where renewed technical problems coupled with sustained uncertainty among investors held the CAC-40 index to a rise of 4.60 points, or 0.12 percent, to 3,695.35. (Bloomberg, Reuters)

Investor's Europe



Exchange	Index	Monday Close	Prev. Close	% Change
Amsterdam	AEX	1,076.22	1,072.69	+0.33
Brussels	BEL-20	3,313.71	3,291.79	+0.67
Frankfurt	DAX	4,923.37	4,820.25	+2.14
Copenhagen	Stock Market	648.03	644.63	+0.52
Helsinki	HEX General	4,389.80	4,251.92	+3.03
Oslo	OBX	923.26	902.50	+2.30
London	FTSE 100	5,347.00	5,167.00	+3.48
Madrid	Stock Exchange	749.78	740.02	+1.32
Nairobi	NIBTEL	208.40	203.49	+2.41
Paris	CAC 40	3,695.35	3,580.75	+0.12
Stockholm	STX 16	3,620.93	3,553.59	+1.89
Vienna	ATX	1,167.52	1,138.55	+2.54
Zurich	SPI	4,300.29	4,210.05	+2.14

Very briefly:

- German industrial output climbed 3.8 percent in July and the rise is likely to be revised upward, the Economics Ministry said, attributing the rise in part to a late start in summer vacations.
- VEBA AG will cede to RWE AG the 22.5 percent stake in their joint telecommunications venture O.Tel. that had been held by Cable & Wireless PLC. The move, which will leave VEBA with a 51.25 percent stake and RWE with 48.75 percent, follows the collapse of talks with BellSouth Corp.
- Booker PLC confirmed that it was in merger talks with Budgens PLC, a deal that would reunite the top British food wholesaler with the food retailer 10 years after they split.
- DaimlerChrysler will be the largest company in the DAX-30 benchmark German share index, with a weighting of 14 percent, Deutsche Boerse said.
- Cable & Wireless PLC's senior long-term debt and its cable unit's debt are under review for possible downgrade by Moody's Investors Service Inc., which said it was concerned about the effect of Hong Kong's financial turmoil on the company's earnings.
- Enterprise PLC and Lasmo PLC are likely to be cut from the British benchmark stock index FT-SE 100 on Wednesday. Likely replacements include Colt Telecom Group PLC and Southern Electric PLC.

G-7 Aides to Discuss Options for Russia

Compiled by Our Staff From Dispatches

LONDON — Britain said Monday it had invited senior finance and foreign ministry officials from the Group of Seven leading industrial nations to a meeting Saturday in London to discuss Russia.

"It is proposed to be the 12th, and it is 95 percent certain," a British Foreign Office official said. The British Treasury refused to confirm the meeting, Britain, which currently heads the rotating chairmanship, is waiting for a final confirmation from two officials before it can verify the meeting.

The meeting, which will not be attended by the Group of Seven's

deputy finance ministers, will be conducted by senior officials of the foreign and finance ministries.

The G-7 groups Britain, Canada, France, Germany, Italy, Japan and the United States.

Also attending will be officials from Austria, which is holding the European Union presidency, the European Commission, the International Monetary Fund and the World Bank.

"It will be a brainstorming session on the options for Russia and the options for G-7 response," the official said. "The conclusions will be passed to a meeting of finance ministers in Washington on Oct. 3."

A statement by foreign ministers at the EU summit in Salzburg, Austria, said Russia would not receive aid from the West, the British Broadcasting Corp. reported.

Previous announcements by Chancellor Helmut Kohl of Germany and President Bill Clinton poured cold water on any hopes Russia might have that G-7 nations were planning to bail it out of its continuing economic crisis.

Mr. Kohl had ruled out an emergency G-7 summit to deal with Russia's financial woes as long as it was not clear who was in charge of the world's No. 2 nuclear power. (Reuters, Bloomberg)

Cadbury to Buy Wedel of Poland

Compiled by Our Staff From Dispatches

LONDON — Cadbury Schweppes PLC said Monday that it had agreed to acquire E. Wedel, the leading chocolate confectionery brand in Poland, and related assets from PepsiCo Inc. for \$76.5 million.

The move is in line with a shift in focus as PepsiCo concentrates on its core businesses of beverages and snacks.

Cadbury said the acquisition would give it the leading position in the developing Polish chocolate market, with a 28 percent share. (AFP, Bloomberg)

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- 8PM Inflating of gas and tethered hot-air balloons.
- 11PM Take off of the 22 Gordon Bennett Cup competitors.

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ASIA/PACIFIC

Hong Kong Moves to Curb Stock-Market Speculation

Compiled by Our Staff From Dispatches

HONG KONG—Donald Tsang, Hong Kong's financial secretary, proposed tougher measures Monday to curb market speculation, including expulsion of brokers who breach trading regulations.

Mr. Tsang said the proposals included the setting up of a body to regulate the stock and futures markets and the clearing houses, and giving the territory's chief executive the power to give direct orders to the exchanges.

At a special briefing in the legislature, Mr. Tsang said the additional controls were aimed at pro-

tecting the territory's 15-year-old currency link to the U.S. dollar by quashing illegal short-selling activities and boosting liquidity in the banking sector.

"Hong Kong is a fully open market, and we can't crush all speculators," Mr. Tsang said. "We only aim at speculators who manipulate the markets."

Investors who sell short in the stock and currency markets in attempts to drive up interest rates and depress stock prices at the same time have been blamed for creating chaos in the financial system.

In short selling, investors borrow

stocks or currencies, sell them, and buy replacements later to return to the lender at a promised date, hoping the market will go down so that they can pocket the difference.

Under the new proposals, brokers who repeatedly breach rules on short selling would receive heavy penalties and risk losing their stock exchange membership. Clients and brokers caught in illegal short selling would be prosecuted.

The market regulator, the Securities and Futures Commission, also is considering outlawing unreported or falsely reported short selling.

It also wants to increase penalties for illegal short selling, from six months in prison and a fine of as much as 10,000 Hong Kong dollars (\$1,290) to two years in prison and a fine of up to 100,000 dollars.

The government has introduced steps to rein in short selling and boost bank liquidity. These measures, including those announced Monday, were welcomed by banks and investors.

The Hang Seng Index, the market's key barometer of blue chips, leaped more than 588 points, or 7.9 percent, to 8,076.76.

David Roche, a strategist at the

London-based Independent Strategy Ltd., said the measures "doomed" the Hong Kong dollar's peg by preventing prices of stocks, real estate and other assets denominated in the currency from declining.

"The HKMA is now setting itself up as a central bank that will try and fix interest rates by liquidity injection, while maintaining a fixed exchange rate," he said. "It will fail as all others have before it."

At the briefing, Mr. Tsang also defended the government's recent stock-buying spree, which lifted the stock index by 1,200 points in two weeks. (AP, Bloomberg)

Investor's Asia				
Exchange	Index	Monday Close	Prev. Close	% Change
Hong Kong Hang Seng		8,076.76	7,488.47	+7.88
Singapore Straits Times		882.10	805.04	+9.58
Tokyo Nikkei 225		14,780.06	14,042.91	+5.32
London FTSE 100		4,455.06	3,633.44	+22.46
Bangkok SET		220.56	207.51	+6.30
Seoul Composite Index		328.22	316.83	+3.59
Stock Market Index		6,800.73	6,755.71	+0.67
NYSE DOW		1,186.83	1,159.38	+2.38
NYSE S&P 500		335.51	325.55	+3.15
NYSE NASDAQ		1,780.86	1,738.07	+2.47
NYSE NYSE-40		3,051.93	2,975.10	+2.59

Very briefly:

- Sao Miguel Corp., the Philippine brewer, has denied a report that it planned to sell its 20 percent stake in the Australian bottler Coca-Cola Amatil Ltd. to the largest shareholder, Coca-Cola Co. of the United States.
- John Fairfax Holdings Ltd., the Australian newspaper group, said strong advertising and circulation helped lift net profit 51 percent from a year earlier to 111.77 million dollars (\$65.5 million) in the year ended in June.
- Japan's top 19 banks reported that bad loans had nearly tripled in the year ended in March from the previous fiscal year to 163.4 billion yen (\$1.22 billion).
- Toyo Communication Equipment Co., a Japanese electronics maker at the center of a Defense Agency billing scandal, said its chairman, Shinichi Ito, had resigned.
- The Philippine Central Bank is not considering implementing currency controls such as those imposed by Malaysia last week, said Gabriel Singson, the bank's governor.
- Hana Bank and Boram Bank of South Korea are to announce plans to merge, a Hana bank spokesman said.
- South Korea said it plans to sell 13.9 trillion won (\$10.45 billion) of bonds in the next four months to help pull the economy out of its worst recession since the 1950s.
- Pacific Electric Wire & Cable Co. of Taiwan said it plans to join with International Business Machines Corp. in a \$5 billion Taiwan dollar (\$1.44 billion) venture in Taiwan to make computer chips. (AP, Bloomberg)

ARNO. CALOR. ROWENTA. SEB. TEFAL

CONSOLIDATED FIRST-HALF RESULTS

(FRF millions)	30.06.98	30.06.97
• Sales	5,448	5,130
• Operating income	296	396
• Operating income after financial expenses	256	351
• Net income before minority interests	87	125
• Net income Group share	79	101
• Net income + depreciation	345	340

Extracts from the Chairman Jacques Gairard's message:

"1997 was a milestone year for the Group's international expansion. The acquisition of Brazilian market leader Arno increased the share of Group revenues generated outside France to 75% of the total.

In February 1998, the Group increased its interest in Arno to 96%, and this was followed by the April acquisition of Volmo, Colombian market leader with operations in Venezuela. These acquisitions, together with Groupe SEB existing subsidiaries in Argentina and Chile, provide the Group with a key strategic position in Latin America.

Groupe SEB now operates on all continents and is set to pursue its industrial and commercial development at the dawn of the new millennium.

In the face of the recent shake-up on world markets, the Group is continuing to aim for the best compromise between building for the future and current performance:

• The meltdown in Russia is affecting sales in the region and the devaluation of the ruble will have a severe impact on sales and second-half results. We are reducing our exposure and slimming down overhead in the region, where the Group enjoys high brand awareness and is industrially established for the future.

• The Asian crisis hit our new Korean subsidiary and the knock-on effect on the Brazilian economy spurred a slowdown in consumer spending as well as financial difficulties at certain longstanding major distributors on this market.

As a result of these problems, a provision of more than FRF 70 million has been booked to cover contingencies known at the present time. We are launching new products, enhancing productivity, improving our market shares and reinforcing our presence in modern retailing networks, while we believe that we will now start reaping the rewards of the newly attained bridgehead in Latin and Central America.

All these events will be reflected in a substantial reduction in both interim sales and earnings and the performance over the full year.

• In addition to these macroeconomic factors, the Group is experiencing temporary setbacks in the US arising from some difficulties during the relocation to the new manufacturing plant in Millville. The necessary measures have been taken at T-Fal Corp and invoicing volumes at Millville in the month of August were back on track, exceeding the figure for the same period in 1997.

The non-stick product offering is being overhauled, with a clearer targeting of ranges by distribution channel. Sales of electrical products are very satisfactory.

• Groupe SEB has made further advances by sharply improving its performances in several other markets offering significant potential, such as Turkey, Mexico and Japan.

In a patchy environment, the Group reacts quickly to short-term developments while remaining solidly focused on its long-term strategy.

The crises on certain of the Group's markets, which could spread to other regions, will severely affect the performance over the year. The Group will implement the measures and adjustments to deal with the new situations as required.

Against this backdrop, the Group will harness its energies on preventing too sharp a decline in net income.

Far-reaching measures have been carried out in recent years leading to successes on Western European, NAFTA and South American markets. Only 15% of sales are generated on high-risk markets, allowing Groupe SEB to cope with a downturn in 1998 without hampering its ability for action or its resources.

Backed by our people's determination and rapid response, robust finances and support from our shareholders, the Group will overcome the crises faced in certain world regions."

The interim report will be available as of September 15.

Tel: + 33 4 72 18 16 40 - Fax 33 4 72 18 15 99

Internet site: <http://www.groupe-seb.com>

Malaysia Oil Firm Shops Abroad

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR—The government-owned oil company is one step away from taking over Engen Ltd., a South African oil company, for close to \$500 million, one week after Malaysia imposed currency controls to stem the flow of money abroad.

Petroleum Nasional Bhd. of Malaysia, which owns 30 percent of the South African

company, is seeking approval from Engen shareholders to buy the other 70 percent.

Petronas, as the Malaysian company is known, has offered to pay 23 rand (\$3.70) for each Engen share, a 22 percent premium to Friday's market close of 18.90 rand. At that price, Engen would be worth 4.1 billion rand (\$660 million).

The proposed takeover comes a week after Malaysia announced restrictions on

currency and stock market activity. News of the planned takeover ruffled at least one foreign investor in Malaysia.

"We have been refused the right to obtain foreign exchange for a legitimate investment we've made," said Mark Mobius, president of the Templeton Emerging Markets Fund. "On the other hand, you've got a government-owned corporation using foreign exchange to purchase assets in another country."

Mahathir Fills 2 Key Financial Posts

Compiled by Our Staff From Dispatches

KUALA LUMPUR—Prime Minister Mahathir bin Mohammad named Monday to key financial posts two allies who are likely to do his bidding and push interest rates lower, helping to lift the stock market.

Mr. Mahathir named Ali Abul Hassan Sulaiman, 57, a career civil servant, to be governor of the central bank.

Entrepreneur Minister Mustapha Mohamed was named to assist the finance minister, a post Mr. Mahathir

has retained for himself. Mr. Ali Abul Hassan is taking over from Ahmad Mohammad Don, who stepped down from the central bank's top post last month after differences with Mr. Mahathir on rate policies. Mr. Ahmad had argued to keep rates high.

The moves show that Mr. Mahathir's "view of lower interest rates will prevail," said Audrey Ho, research head at Paribas Asia Equity Research in Kuala Lumpur. Mr. Ali Abul Hassan pledged Monday to adopt a

"proactive" and business-friendly policy to revive the recession-stricken economy.

He said that the central bank, Bank Negara, would not follow the International Monetary Fund's stringent policies but would encourage more investments and allow local banks to lend to productive sectors. On Monday, the bank cut the amount of money it requires banks to keep with it in reserve and lifted curbs that limit lending to the residential property market. (Bloomberg, AFP)

MARKETS: Asia Stocks Gain

Continued from Page 1

"Malaysia has closed the door; Hong Kong is repainting it," he said.

Still, in both markets, it is government policy—rather than underlying optimism about the local or global economy—that is spurring investors to buy shares. If the Hong Kong and Malaysian markets were functioning freely, interest rates would very likely be higher and shares would most likely trade low.

"The performance of the markets doesn't alter our uncertainty," said Jan Lee, chief economist at Hongkong & Shanghai Banking Corp., which has been one of the main targets of the government's buying spree.

In other Asian markets, the reason for the increase was external—namely the strengthening of the yen at the expense of the dollar. Analysts attributed the stronger yen to speculation, following indications Friday by Chairman Alan Greenspan, that the Federal Reserve Board might

cut U.S. interest rates.

Hong Kong officials said Monday that their three-week-long intervention had driven foreign speculators out of the market. The government had blamed those speculators for improperly manipulating Hong Kong's market in an effort to drive down shares and futures contracts.

"We made an incursion, and we want to leave as quickly as possible," Financial Secretary Donald Tsang said. "We are not in the business of making long-term investments in commercial companies."

Although Hong Kong is no longer buying shares, it has opened a new front in its campaign against speculators. The government announced a 30-point plan Monday to tighten the securities and futures markets. The new rules would stiffen penalties for violations of securities laws, raise monitoring of short-selling and restrict the lending of shares for the purpose of short selling.

Sir Donald reiterated the government's pledge to maintain the Hong Kong dollar's



Tokyo traders enjoying the surge Monday, in which the Nikkei index rose 5 percent.

fixed exchange rate to the U.S. dollar. He said the government had no plans to follow Malaysia down the path of capital controls. "We hate to be in the market," he said. If Hong Kong is still espousing a free-market credo, Malaysia has swung openly to a government-dictated approach. Analysts said the in-

crease Monday on the Kuala Lumpur Stock Exchange was driven by institutional investors with ties to the government. Foreign investors have effectively been frozen out of the market, as the ringgit no longer trades outside the country. Mark Mobius, president of Templeton Emerging Mar-

Japan Steel Sales Cut

Agence France-Press

TOKYO—Japanese steelmakers plan to cut exports to the United States after the U.S. International Trade Commission ruled they had dumped steel products on the market, officials said Monday.

Company executives said the planned reduction may force them to further slash earnings forecasts for the current business year.

"We plan to cut exports to the United States, partially because of the recent decision by the United States on U.S. steelmakers' dumping complaint," said an executive of Nippon Steel Corp., the world's largest steelmaker.

"We can tell neither the kind nor the volume of steel products we will cut in the second half at this moment, but the decision could be big enough to affect our annual sales and profit," the official said.

Jiji Press said Japanese steelmakers, including Nippon Steel, Kawasaki Steel Corp. and NKK Corp., were to cut exports to the United States by an average of 30 percent from the first half, which ends Sept. 30.

Steel exports to the United States nearly tripled in the first half, backed by the weaker yen and growing demand in the U.S. market, the Japanese news agency said.

AIR: Boeing and Airbus Send Different Signals

Continued from Page 13

from Mr. Forgeard. He announced a 3 percent across-the-board increase in list prices, and said Airbus would have to pay increasing attention to shareholder value as it seeks to change itself from a loose, four-party consortium into a single corporate entity.

"Market share cannot in itself summarize a business strategy," Mr. Forgeard said.

At Boeing, which announced a 5 percent price increase in July, executives gave the news a cautious welcome. Boeing has attributed its loss of the British Airways order to its unwillingness to

match Airbus on price.

"You're going to see a de-emphasizing of the market-share battle," said Bruce Dennis, vice president of marketing at Boeing Commercial Airplane Group.

Mr. Forgeard said he hoped that the transformation of Airbus into a single corporation would be completed by the middle of 1999, even though he acknowledged that the bargaining over the valuation of assets to be pooled in the company was only beginning among the four partners: British Aerospace PLC, Daimler-Benz Aerospace Airbus GmbH of Germany, Aerospaciale de France and Construcciones Aeronauticas

SA of Spain.

Mr. Forgeard also expressed hope that the restructuring of the European aerospace and military industries would not drag on and impede the restructuring of Airbus.

Boeing, meanwhile, did manage to announce two modest orders. It said it had sold four Boeing 737-900s to KLM Royal Dutch Airlines, the first European order for that version of the 737 line, which lists for \$50 million each. And it announced an order for 17737s, 757s, 767s and 777s, worth a total of \$900 million, by International Lease Finance Corp.

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NOTICE TO ALL UNITHOLDERS OF EMERGING ASIAN MARKETS EQUITY CITIPORTFOLIO

In view of foreign exchange controls recently imposed in Malaysia, the Management Company of Citiportfolios ("the Fund") has decided, as a precautionary measure to protect unitholders, to suspend the dealings in the Emerging Asia Markets Equity Citiportfolio effective as of September 4th, 1998 and until further notice.

This decision has been taken in accordance with sections (b) and (d) of article 11 of the Management Regulations specifying that a monetary emergency beyond control of the Management Company makes the disposal of the portfolio's assets impossible and that owing to foreign limitations on the exchange transactions, the business transactions become impracticable for the portfolio.

As pricing information is still available, valuations will continue to be published. This notice will be published by all appropriate means, in particular in the newspapers in which the net asset value is usually published.

By order of the Board of Directors

مكتبة الشرق الأوسط

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WORLD ROUNDUP

Rival Bid for United Is Weighed by Enic

SOCCER Enic Plc, the leisure group with extensive interests in European soccer, is poised to make a rival bid for the English club Manchester United, which is already subject to a bid from Rupert Murdoch's BSkyB satellite television company, it was reported Monday.

The Financial Times said Enic was considering the bid after Murdoch's interest in the sport's richest club was confirmed Sunday. The Enic group, which owns the clubs Vicenza of Italy, Slavia Prague of the Czech Republic, AEK Athens of Greece and a 25 percent stake in Glasgow Rangers, would look for financial backing from the U.S. entertainment group Time Warner, the paper reported.

On Monday, Manchester United Plc's stock, listed since 1991, was up 30 percent to 207 pence (\$3.30) in trading on the London Stock Exchange. (AP)

Jalabert Leads in Spain

CYCLING Laurent Jalabert of ONCE-Deutsche Bank and France grabbed the overall lead in the Tour de Spain on Monday after the third leg.

The stage was won by the Estonian rider Jann Kirsipuu of the Casino team, who finished the 192.6-kilometer (120 mile) trek between Cadiz and Estepona in 4 hours, 16 minutes and 24 seconds. Second place went to Germany's Marcel Wust of Lotus-Festina, and third went to Italy's Giovanni Lombardi of Telekom. Both were credited with the same time as Kirsipuu. (AP)

Sluman Wins U.S. Golf

GOLF Jeff Sluman used a quick start and then held off a fast-closing Steve Stricker to win the Greater Milwaukee Open golf tournament. Sluman used two birdies and an eagle on the front nine Sunday to take the lead and a pair of birdies on the back to widen his advantage en route to a 3-under-par 68. He finished at 19-under 263, matching the tournament record, one ahead of Stricker. (Reuters)

Coetzer Battles Past Injured No. 7 Martinez

Rivals Also Stun Graf and Rios With Upsets

Compiled by Our Staff From Dispatches

NEW YORK — Amanda Coetzer slammed a backhand passing shot down the line on match point to survive a marathon third-round match at the U.S. Open on Monday and upset seventh-seeded Conchita Martinez, 6-4, 4-6, 6-2.

With both Coetzer, the No. 13 seed from South Africa, and Martinez playing behind the baseline and occasionally

engaging in moonball rallies, the match took 2 hours, 39 minutes, to play. One game had 28 points, including 11 deuces, and consumed 20 minutes, 25 seconds.

The victory put Coetzer into the quarterfinals, where she will play the winner of a later match Monday between No. 2 Lindsay Davenport and No. 10 Nathalie Tauziat.

Martinez, a Spaniard who won Wimbledon in 1994 and reached the Australian Open in January, took a medical timeout and had her right shoulder worked on after the first game of the second set. Then she and Coetzer battled through the longest game of this year's competition.

On Sunday, there were two other upsets as Steffi Graf was conquered by 19-year-old Patty Schnyder of Switzerland, and Marcelo Rios, the No. 2 men's seed, struggled when it counted most and was upset in five sets in the third round by Magnus Larsson of Sweden, 6-1, 6-7 (3-7), 2-6, 6-3, 6-2.

After her loss, Graf, dressed in a blue T-shirt emblazoned with the New York Yankees' logo on her chest, left the National Tennis Center with a promise. "I'll be back," she said.

Although seeded 11th in this year's field, three spots below Graf, Schnyder probably should have been the favorite in their fourth-round match. Graf is 26th in the Corel WTA Tour rankings this week, while Schnyder is ranked 10th. Graf received a special seeding after missing more than a year after undergoing knee surgery.

In their match, it was Schnyder who operated with surgical precision, showing off a bigger forehead than the woman once called "Frauforehand."

and repeatedly picking on the German's weakness, her slice backhand. "She has a lot of potential," Graf said of Schnyder. "There's no question about it. She's got so much talent. She uses the court extremely well."

Schnyder, who has won five tournaments this year, jumped out to a 3-0 lead and took advantage of 14 unforced errors by Graf in the first seven games. Graf, who began the match with tape around her right wrist, removed the tape after falling behind, 5-2.

In the second set, Schnyder took a 2-1 lead with another service break. Graf immediately broke back, and the set was tied 4-4 until Schnyder broke again in the ninth game. She then saved two break points and served out the victory on her second match point.

"She's the greatest player in the last 10 years," Schnyder said. "Sometimes it's difficult because you think of that. But you just try to play against her like all other opponents."

Graf has won 21 Grand Slam tournament singles titles and held the No. 1 ranking for a record 374 weeks. She is less than \$14,000 shy of taking over the career earnings lead from Martina Navratilova, a figure she would have eclipsed if she had reached the quarters.

Since her U.S. Open debut in 1984, Graf reached the quarters in 1992 and the semifinals in '85, '86 and '91. With the exception of last year, when she was recuperating, she has reached the final every other year, winning in 1988, '89, '93, '95 and '96.

The loss also halted a 17-match winning streak at the year's final Grand Slam tournament.

Despite dominating the spring hard-court season in the United States and spending several weeks at the world No. 1 ranked player this year, Rios has struggled mightily this summer after splitting with his outspoken coach, Larry Stefanki. Coming into the U.S. Open, he had lost three of his last four matches, and in the second round he dropped a set to a 320th-ranked Italian, Giorgio Galimberti.

Larsson is ranked 34th, but he is more of a consistent threat than that number would suggest and would certainly be ranked much higher if he had not contracted a virus at the beginning of the



Conchita Martinez being treated for a shoulder injury in her match Monday.

season that left him weak and off-form for much of the spring. Larsson has long taken delight in ignoring seedings and has 29 career victories over members of the top 10. He was once a member of that elite group himself in the spring of 1995 but in June of that year, he fractured his foot in an exhibition and took more than two years to resume succeeding in Grand Slam events.

Besides Rios, who supplanted Pete Sampras as the top-ranked men's player this year, also failing to advance was fifth-seeded Richard Krajicek. He retired in the second set against Thomas-

Johansson of Sweden with tendinitis in his left knee.

French Open champion Carlos Moya, seeded 10th, outlasted Jan-Michael Gambill, 6-2, 3-6, 3-6, 6-3, 7-6 (7-4), in a three-hour match in which both players tossed rackets in frustration.

Another American, Geoff Grant, also lost a five-set heartbreaker, to Germany's Oliver Gross, 7-5, 6-7 (5-7), 5-7, 6-3, 7-5.

That left only two American men — former champions Sampras and Andre Agassi — in the running for the crown. (AP/NYT)

49ers Slug Jets in Overtime, 36-30, on a 96-Yard Run

The Associated Press
If the San Francisco 49ers and New York Jets can keep this up, imagine what kind of seasons are in store for them.

On an opening day when seven NFL quarterbacks were injured, the 49ers' Steve Young and Jets' Glenn Foley staged an old-fashioned shoot-out on

NFL Roundup

Sunday at 3Com Park at Candlestick Point in San Francisco. The teams combined for 1,022 yards, the final 96 on a team-record touchdown run by Garrison Hearst that gave San Francisco a 36-30 overtime victory.

It was the last big play in a game filled with sensational offensive performances, including Young, coming off his sixth passing title, going 26-for-46 for 363 yards and three touchdowns.

Foley did even better, completing 30 of 58 for 415 yards and three touchdowns.

Jerry Rice, the game's greatest receiver, who played in only parts of two 1997 games because of knee injuries, flashed his old form on a 14-yard touchdown reception.

Cowboys 38, Cardinals 10 In Dallas, Troy Aikman ran for two touchdowns — more than he's had in any season — and passed for two more to snap Dal-

las's 10-game losing streak.

Dolphins 24, Colts 15 Peyton Manning, the top overall draft pick, had an inauspicious debut for Indianapolis at home, throwing three interceptions, with Terrell Buckley returning one 21 yards for a score. He also was sacked four times.

Jaguars 24, Bears 23 Mark Brunell went 8-for-9 in an 87-yard game-winning drive as Jacksonville rallied at Chicago.

Chargers 16, Bills 14 John Carney's 54-yard field goal bounced off the left upright and went through with 4:30 to play. Then Steve Christie was wide left on a 39-yard field-goal attempt with three seconds left. Christie also shanked a 21-yard attempt early in the fourth quarter at San Diego. Doug Flutie, in relief of the injured Rob Johnson, was superb, with touchdown passes of 43 and 5 yards to Andre Reed.

Saints 24, Rams 17 Visiting New Orleans turned two first-half turnovers into touchdowns and had only one turnover, contrasting with a mistake-filled performance from St. Louis. Lamar Smith caught one touchdown pass and threw for another on an option play.

Chiefs 28, Raiders 8 Derrick Thomas nearly matched his NFL record of seven sacks, getting to Jeff George six times as the hosts dumped George 10 times. Kansas City ran up a 17-0 lead before

Oakland ran a successful play, making for a painful debut for 35-year-old Raiders coach Jon Gruden.

Oilers 23, Bengals 14 Al Del Greco made his first three field-goal attempts, while Dave Krieg took over for quarterback Steve McNair and played well. Visiting Tennessee lost five players to injury.

Giants 21, Redskins 24 All-Pro defensive end Michael Strahan scored on a 24-yard interception return as New York's opportunistic defense scored or set up three third-quarter touchdowns over the error-prone visitors.

The Giants defense had eight sacks and intercepted consecutive passes by Greg Freato. One of the sacks forced Freato out, but third-string quarterback Trent Green twice got Washington within seven points.

In games reported in late editions Monday:

Steelers 20, Ravens 13 In Baltimore, Kordell Stewart scored Pittsburgh's first touchdown after the Ravens botched a punt and drew for another. The Ravens' Matt Stover missed three field goals, two of them because of poor snaps.

Vikings 31, Buccaneers 7 In Minneapolis, Brad Johnson, coming back from last year's neck injury, had a career-high four TD passes, two to veteran Chris Carter and two to hotshot rookie Randy Moss. Moss blew the game open with

48- and 31-yard touchdowns on consecutive possessions.

Packers 38, Lions 19 Packers QB Brett Favre and Lions RB Barry Sanders shared the MVP award last season. In the first meeting of co-MVPs, Sanders' streak of 14 consecutive regular-season 100-yard rushing games ended when he gained 70 yards on 17 carries. Favre was a 24-for-33 for 277 yards and two touchdowns.

Detroit's Terry Fair returned a kickoff 101 yards for a touchdown at the end of the third quarter, and Roell Preston promptly replied with a 100-yard TD return.

Fair returned six kickoffs for 244 yards and Preston returned four for 163. The Packers have won 28 straight games at Lambeau Field.

Falcons 19, Panthers 14 Kevin Green managed three sacks, but it did not deter the Falcons, who converted one interception and two Carolina punting miscues into 12 points, doubling the Panthers to their fourth consecutive home loss.

Chris Chandler threw for 268 yards and two touchdowns, helping the Falcons win their road opener for the first time since 1986.

Seahawks 38, Eagles 0 Joey Galloway had a career-high 142 yards receiving and scored two touchdowns as Seattle handed Philadelphia its first shutout in a home game since 1941.



The 49ers' Jerry Rice getting by the Jets' Jerome Henderson to score.

SCOREBOARD

FOOTBALL

NFL STANDINGS

AMERICAN CONFERENCE

AFC EAST

AFC NORTH

AFC SOUTH

AFC WEST

NATIONAL FOOTBALL LEAGUE

NFC EAST

NFC NORTH

NFC SOUTH

NFC WEST

RECORDS

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BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

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NATIONAL FOOTBALL LEAGUE

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CYCLING

TOUR OF SPAIN

Leading riders Monday in 1998

1. Laurent Jalabert, ONCE-Deutsche Bank, 10:05

2. David Duvet, U.S., 10:07

3. David Duvet, U.S., 10:07

4. David Duvet, U.S., 10:07

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20. David Duvet, U.S., 10:07

GOLF

GREATER MILWAUKEE OPEN

Final results from \$1.8 million

1. Tiger Woods, U.S., 11:05

2. Tiger Woods, U.S., 11:05

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Vogts Answers Soccer Outcry And Resigns

The Associated Press

FRANKFURT — His position untenable under a growing public outcry, Bert Vogts resigned Monday as coach of the German national soccer team after eight years in the position.

The coach, who guided Germany to the 1996 European title but failed in two World Cup campaigns, said he was stepping down to preserve any "human dignity" he still had.

"I see no more possibility to carry on with the national team with the necessary strength and concentration under so much public pressure," Vogts said.

Vogts, who has been under heavy fire since Germany's quarterfinal elimination at this summer's World Cup in France this summer, quit after a telephone conversation with the chief of the German soccer federation, Egidius Braun, the federation said.

"It hurts incredibly to carry out this separation," Braun said. "But as DFB president, I had to realize that it had become unavoidable."

Vogts, 51, became coach in 1990, after Germany won its third World Cup, in Italy under Franz Beckenbauer.

A former international defender known as "the terrier" with 96 caps and the 1974 World Cup title, Vogts had served as Beckenbauer's assistant.

Among possible successors being mentioned in the German media was Jupp Heynckes, who once played with Vogts on the highly successful Borussia Moenchengladbach club.

Heynckes, who has coached a couple of top German clubs, is currently unemployed after being fired from Real Madrid despite winning the Champions Cup last season.

He gained quick endorsement from Beckenbauer, the Bayern Munich president, who still exerts great influence in German soccer.

In what was supposed to be a new beginning, Vogts took the new-look team to Malta last week to practice and play two exhibition games. The trip instead turned into Vogts' downfall: Germany barely managed to edge Malta, a soccer weakling, 2-1, and escaped with a fortunate 1-1 draw against Romania in two appalling performances.

Vogts' overall record in 102 games was 67 victories, 23 draws and 12 defeats.

Win on 21
Weather by Me

All Eyes Are on St.

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SPORTS

Cards Win on 2 Homers — Neither by McGwire

St. Louis Fans Come Away Disappointed Even Though Their Team Beats Reds, 5-2

ST. LOUIS — Two members of the St. Louis Cardinals snatched home runs in the eighth inning of their game against the Cincinnati Reds Sunday, and even though Mark McGwire batted in that inning, he was not one of them. Fernando Tatis was.

"The people don't want to see me hit a home run," said Tatis, who batted off of John Hodek and who has 8 homers this season to McGwire's 60.

NL Roundup

"The people want to see him hit a home run. I want to see him hit a home run."

—Not a Cardinals victory was the exact best thing, albeit a poor consolation prize, to a McGwire home run for the 47,904 fans at Busch Stadium, and the home runs by Ray Lankford and Tatis following McGwire's out gave the Cardinals a 5-2 victory.

"In the sixth inning of the game, McGwire ripped a low line drive off Brett Tomko that veered left near the left-field foul pole and into the stands."

"When he hit it, I thought it was out," said Tomko. "I thought — home run."

"So did McGwire."

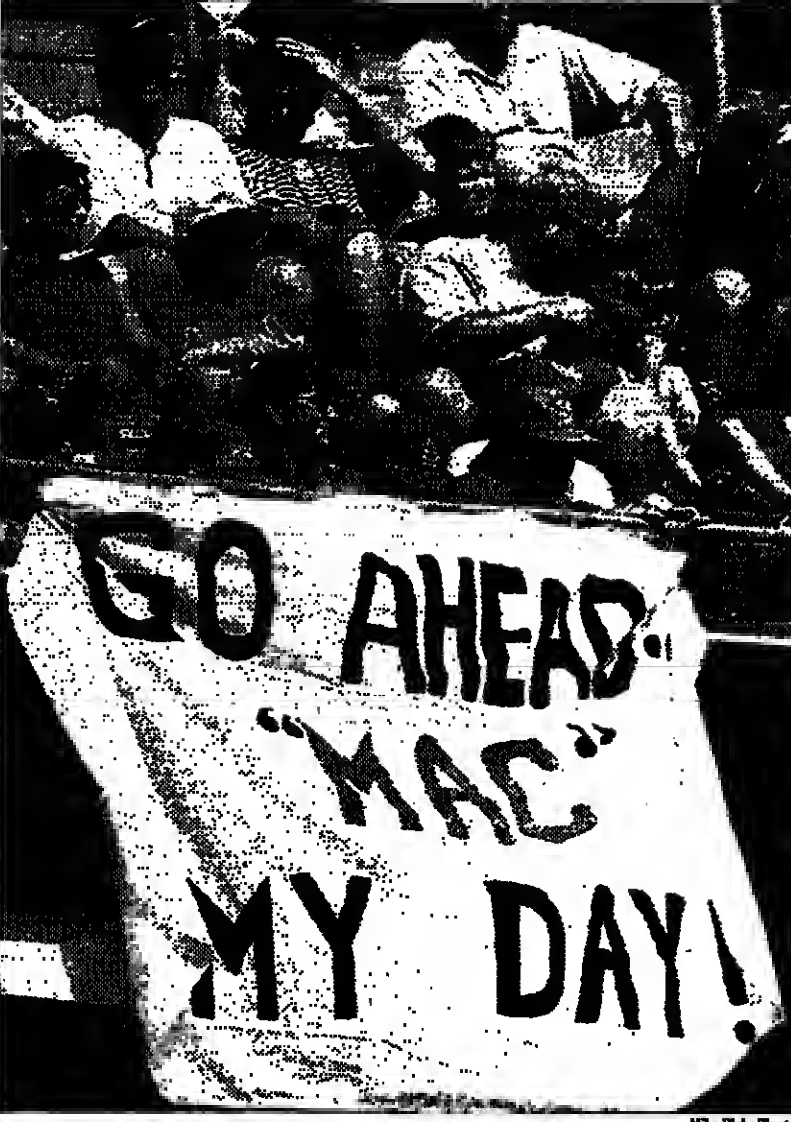
"At first, on contact, yes," he said.

Pirates 4, Cubs 3 In Pittsburgh, meanwhile, Sammy Sosa went homerless for the first time in four games, allowing Jason Kendall to stop the Cubs' six-game winning streak with a 10th-inning homer.

"Sosa, who went 2-for-5 with two singles and two strikeouts, had homered five times in the last six games — all of them Cubs' victories."

"That's part of the game sometimes," Sosa said. "You're not going to do it every day. Forget about today and get ready for tomorrow. It will be like a World Series in St. Louis."

Giants 6, Dodgers 2 In Los Angeles, Mark Gardner (12-5) pitched eight strong innings to win his fourth straight decision, and Ellis Burks and Jeff Kent drove in two runs each for San Francisco.



A St. Louis fan giving Mark McGwire a target for a record-setting homer.

Chasing the Record

Home run tally for two contenders to break the season record of 61 homers set in 1961 by Roger Maris (left).

MARK MCGWIRE	SAMMY SOSA
60 0-for-3 with no homers vs. Reds on Sunday	58 2-for-5 with no homers vs. Pirates on Sunday

Maris through 143 games: 55

Blue Jays Sweep Red Sox And Join Wild Card Race

The Associated Press

All of a sudden, Toronto is in the American League wild-card race. With a four-game sweep of Boston, the Blue Jays are just five games behind the Red Sox.

"We don't have many games to go, and we're still quite a ways out of it, so we're not even thinking about it," Craig

AL Roundup

Grebeck said Sunday after his tiebreaking triple in the eighth gave Toronto an 8-7 victory at the SkyDome.

Jose Canseco homered for the third consecutive game, reaching 40 homers for the third time in his career and the first time since 1991. It also gave him 1,200 career RBIs.

Toronto has won 10 straight for the first time since 1987.

"It's fun winning, and this team is having fun right now," Grebeck said, "so we're just going to leave it at that."

The Red Sox, who do not play the Blue Jays again this season, lost for the eighth time in 11 games. Boston headed home after the game for a homestand that starts against the New York Yankees.

Angels 3, Royals 0 Chuck Finley (11-7) won for only the fourth time in his last 17 starts, striking out 10 and holding visiting Kansas City to three hits in eight innings. Anaheim opened a 3½-game lead over Texas in the AL West.

Shigetoshi Hasegawa pitched the ninth for his fourth save. Tim Lincecum (12-12) lost despite allowing just seven singles in his second straight complete game.

Texas 6, Rangers 2 The Texas bullpen blew a two-run lead in the eighth for the second straight night. Rangers relievers have lost their last four decisions and seven of their last eight.

Todd Walker hit a two-run homer to tie the game in the eighth in Texas, and the second baseman, Denny Hocking, threw out the potential tying run in the bottom of the ninth.

Orioles 5, Mariners 2 Mike Mussina (13-8) allowed four hits in eight innings, and Eric Davis, Mike Bordick and Roberto Alomar homered for visiting Baltimore. Arthur Rhodes pitched the ninth for his fourth save.

White Sox 6, Yankees 5 Hideki Irabu (11-8) lost for the fifth time in seven starts, allowing six runs and eight hits in 2½ innings.

Lucky Catch Could Bring A Painful Tax

New York Times Service

PITTSBURGH — If a fan catches the ball that breaks baseball's home run record and generously gives it to the slugger, it could be more than a great baseball event. It could be the taxable event of a lifetime.

According to the Internal Revenue Service, the bleacher bum who paid \$6 to \$10 for a ticket — not the multimillionaire slugger — could owe federal gift tax. For a fan giving a million-dollar ball to McGwire or Sosa, the federal tax could reach \$150,000 or more. And states also have gift taxes. The person receiving a gift owes no tax.

The gift tax applies to "any property" worth \$10,000 or more, according to IRS regulations. The tax is computed on the fair market value of the gift.

It remains to be seen whether the new, customer-friendly IRS would try to collect the tax from, say, a 12-year-old baseball fan.

"I can confirm your understanding of how the gift tax works," said an IRS spokesman, Steven Pyrek. "The giver of the gift is required to file the gift tax return. We'd have to take a look at all the circumstances: the value of the gift and who owns the baseball."

A ball that breaks Roger Maris's record of 61 homers could fetch \$1 million or more, sports collectors say. The ball is the property of major-league baseball until it leaves the field. Then whoever catches it owns it. The tax permutations are more complicated than figuring a slogging percentage, but tax experts lay out several options:

- If the fan keeps the ball, the fan owes no tax now. But the ball would become part of the fan's estate, taxable after death.
- The only way to avoid tax entirely is to give the ball to a charity, which could then sell the ball for a profit, which would not be taxed.
- If the fan sells the ball, the fan owes tax on the profit. The transaction would put the fan in the highest tax bracket, with 39.6 percent due.

All Eyes Are on St. Louis as Home Run Chase Spices Historic Rivalry

By George Vecsey
New York Times Service

ST. LOUIS — They have played each other 2,060 times since 1892, in places like South Side Park in Chicago and Robison Field in St. Louis, and once they even played a game in Association Park in Kansas City, Missouri, in circumstances not explained in the record book.

They have played each other in the springtime when swollen rivers have impeded the Midwest, and they have played each other in the summer when the sun was as high as an elephant's eye, and they have played each other in the fall when the fans' toes grew numb.

On Monday, the old contentiousness had a new meaning, because Mark McGwire and Sammy Sosa were going for Roger Maris's record in the same old baseball town.

"It's going to be electrifying, it's going to be exciting," said McGwire, who was scheduled to team up with his buddy in a news conference before the game between the Cardinals and the Cubs.

"If you can't be looking forward to these two games, then your heart isn't beating," McGwire added.

Neither McGwire nor Sosa managed a home run Sunday, which means they were stuck at 60 and 58. The Cubs came here to play the Cardinals in Busch Stadium, with the nine World Series flags and the eight retired Cardinals' numbers, the statue of Stan the Man in the plaza, real-life Stan the Man Masial demonstrating his swing and his smile, and good old Red Schoendienst still attacking grounders during infield practice, wearing No. 2 on his 75-year-old body.

"I have always thought this was the best baseball town of all," said Bud Selig, a Milwaukee man who became commissioner.

The Cubs were trying to hold their lead for the National League wild-card berth in the playoffs, a situation that never existed when "Hack" Wilson clouted home runs with his stumpy little body for the Cubs.

"In all honesty, more people are going to be watching Sammy and Mark," said Tony La Russa, who has managed in both towns, albeit with the White Sox in Chicago.

"There is always a tremendous atmosphere between these two teams," La Russa said with the enthusiasm of a true believer. "Now you have both teams in the same ball park, and you know the fans would knock the roof off the ball park — if there were a roof."

For the record, in their meetings going back to the last century, the Cubs have won 996, or 1003-957 in the 20th century alone. The Cubs dominated the early decades, the Cardinals rolled from the '20s to the '40s, and both teams were slogging along in September 1961 when the Cubs brought up a prospect named Louis Clark Brock.

"It was the most shocking experience I've ever had," Brock said Sunday. "I walked on the field, and I heard a huge cheer and I thought one of my teammates had played a practical joke on me, so I went back inside. I looked in the mirror, my uniform was all right, so I got up my courage and I went back out, and they started cheering all over again."

I asked one of my teammates what was going on, and he said: 'This is a Cardinals-Cubs series. It's a war in which no prisoners are taken.' From that day, I realized it couldn't get any more intense than that. Now you throw in Sammy and Mark."

In 1964, the Cubs traded Brock to the Cardinals, who promptly won the World Series that year, won another in 1967 and nearly won in 1968. His No. 20 is now retired by the Cardinals. Somewhere in central Illinois, Cardinal territory becomes Cub territory. "I

don't know exactly where the border is," Brock said. "But I do know there is one house right on the border. The Cubs' fans stay in the kitchen and the Cardinals' fans stay in the den."

The rivalry touches fans in other parts of the Midwest. Growing up in Milwaukee, then a minor-league city, Selig rooted for the Yankees and the Cubs, and his brother rooted for the Cardinals.

"We would drive down to Wrigley Field when those two teams met," Selig said Sunday. "You can talk about the Packers and the Bears, the Red Sox and the Yankees. I think this is the best rivalry in sports."

"When I saw the schedule, and saw Cubs and Cardinals on Labor Day, I knew I had to be here."

He will stay on for Games 2,061 and 2,062 in an old rivalry, now infused with the energy of two sluggers who like each other, despite being a Cardinal and a Cub.

MENNIS THE MENACE

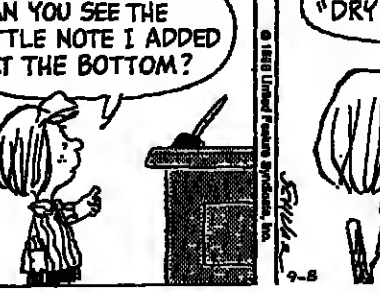


"Daddy's going on a business trip. He's not running away."

PEANUTS



CALVIN AND HOBBES



WIZARD of ID



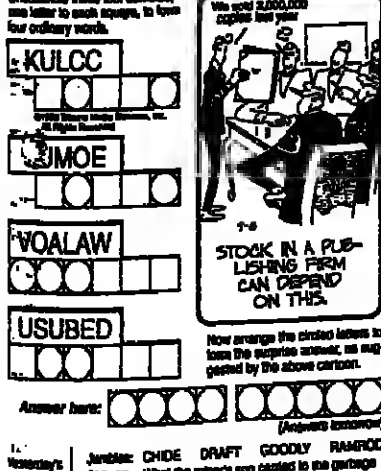
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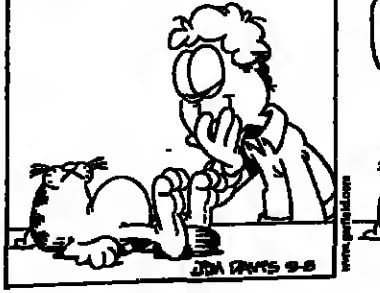
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ART BUCHWALD

How Now the Dow?

NEW YORK — The group was sitting around discussing the downfall of the stock market. Each person had taken a bath.

Tuttle said, "It's a Clinton market. It would never have happened if he had given a decent mea culpa."

Lumbar said, "I was willing to forgive Clinton his sins until General Motors went into the tank."

Laurenberg said, "Monica Lewinsky did not give IBM a fair shake. When she went in front of the grand jury, I was certain it would drive down computer stocks."

Rivarcorn said, "I blame Ken Starr. He uncovered Bill Clinton so badly that the president couldn't manipulate the market the way he likes to."

Wellstrom said, "I got out in plenty of time."

"Who told you to get out?"

"A Chinese political donor to the Democratic Party."

Grundy said, "I see what's happened as a correction. We've made a lot of money in the market, and it had nothing to do with Clinton. I'm going to stay in until Clinton offers a prayer for Boeing Aircraft."

I hadn't spoken because I had my broker on hold.

"My broker," I told the group, "says not to sell until the Secret Service men testify about what was going on in the White House."

"Sex has nothing to do with a falling Dow Jones."

"It doesn't have much to do with it unless Linda Tripp catches pneumonia."

Lognipe said, "If Clinton wasn't responsible for a free fall in the market, then it had to be Mrs. Goldberg. She is always taking credit for something."

Harris said, "I don't think we should come to any conclusions until Starr finds out if Boris Yeltsin has been fooling around."

Doctors Isolate Sophia Loren

The Associated Press

VENICE — Sophia Loren's doctors have her under such close care that she was not allowed to tape or telephone her thanks for a Venice Film Festival award — and even her own husband has not been allowed to see her, a newspaper has reported.

"The doctors are inflexible: Sophia must not become emotional, must not speak of anything that would remind her of work," her husband, the producer Carlo Ponti, was quoted as saying in an interview with *Corriere della Sera* on Saturday.

The Italian-born actress, 63, fell ill on an Aug. 10 flight from Geneva to New York; in New York, she was diagnosed as having an irregular heartbeat and hospitalized for a few days, aides and family members said.

Ponti read a message from Loren on Thursday in Venice, thanking the festival for its lifetime achievement award.

Loren's doctor has mandated at least a month of rest in New York, Ponti said. He was headed there after the festival. Once there, he said, "I really hope that they'll let me see her."

Another Revolution in China: Owning a Home

By Seth Faison
New York Times Service

SHANGHAI — Buying a home is a relatively new phenomenon in China, and so is serious home furnishing. Even in Shanghai, the nation's most affluent and modern-minded city, the decor in most apartments still ranges from Spartan to dowdy to just plain tasteless.

But change is on the way. And not just because Ikea opened a store here early this year. A new consciousness about home furnishing is germinating in many cities, and it is growing out of the surging popularity of buying a home itself.

Unlike most new homes in the United States, those in China are rarely ready for occupation. Getting an apartment usually means getting the space itself, without anything as basic as paint on the walls or wiring within them, much less plumbing.

No matter. There seems to be no end to the number of people eager to buy homes here. Millions of urban families are trying homes for the first time. After years of talking about it, the authorities are finally getting serious about supporting home ownership, by making mortgages available in some cases and by ordering local governments to do away with the state-allocated housing that has been a mainstay of the socialist system here. Housing subsidies for all of China's 200 million to 300 million urban residents, which have often made renting almost free, are scheduled to be phased out by the end of 1998. In the first seven months of 1998, housing sales in China shot up 71 percent compared with a year earlier, the authorities reported.

For Sindy Lee, a 30-year-old graphic designer in Shanghai, owning a home means, first of all, having a little more living space. Lee said that she got along fine with her parents-in-law, but that it was not ideal to be living with them as well as her husband and infant son in a cramped apartment, as most families do. Especially not when another choice came along. The new one-bedroom apartment she and her husband bought for \$30,000 this year is in a building of about 30 stories in the Xuhui district, a pleasant residential neighborhood downtown.

While it is only 500 square feet, the apartment seems spacious; it is roughly double the average space for a family of three in this city. And it has been carefully and tastefully decorated.

The living room is painted a soft lime green — "a light, fresh color that is kind to vis-



Prospective buyers asking about an apartment project going up in Shanghai.

itors," Lee explained. The bedroom is peach, a warmer color, for herself. Instead of holding to any specific set of *feng shui* rules, Lee seems to have her own sense of what works.

It does. The kitchen, gleaming with stainless-steel countertops and wooden cabinets, is unusually clean and modern for a Chinese home. There is no oven — Chinese cooking involves little baking — but there are four burners on the stove and two sinks, a luxury.

"I wanted to make our home a good place for my son," Lee said. "Everything had to be the way we wanted it."

Lee and her husband chose pine flooring that is softer than the concrete they were used to, and easier on the head of their 1-year-old, Chi, when he falls. The corners of their yellow cotton upholstered sofa and wooden coffee table are carefully rounded, as are the edges of a desk where the family computer sits.

Lee said she did much of her furniture shopping at Ikea. The international chain has advertised widely, distributing a million catalogues, and has found that birch, beech and leather sell particularly well in Shanghai.

Taking pride in the renovation of a home is becoming as much of a fad as buying one in China. Though credit cards are still in their infancy, most homeowners expect to lay out at least half the price of a new home for renovation.

"That is probably what's keeping the economy alive this year," said Lee's husband, Richard Chen, referring to the renovation and decoration business. A lot of his friends are either buying a home or trying to buy one, Chen said, and all plan to carry out extensive renovations. For Chen, who is 28, it was not so much the psychological sense of security that made him want to buy an apart-

ment. Nor was it just plain economics, even in a society known for a careful evaluation of the bottom line.

Rather, the impetus for plunking down a lot of cash — \$50,000 is a huge sum in a country where the average urban wage is still \$50 a month — was his desire to improve his family's living conditions. "We could never have things so nice if we rented," Chen said. "The most important thing is having a higher standard of living."

In Shanghai, as in many other Chinese cities, most housing is still in low-rise buildings where tenants have to share a kitchen and a toilet with their neighbors. In the past, rent, typically less than \$10 a month, was not a real concern. The catch was that the standard of upkeep was appallingly poor. And that is clearly part of why families like that of Lee and Chen do not blink at spending half the cost of their home, or nearly \$25,000, on a thorough renovation.

"People buy a home because it means they can fix it up the way they want," Chen said. "You can renovate it to your own specifications."

Chen's job as a graphic designer at American Standard, a maker of bathroom and kitchen fixtures, made him particular about how his bathroom was done.

First he had it expanded in a length of about eight feet, roughly twice the original length, even though that meant cutting into the living room. Then he had a full-length bathtub installed, a rarity in a Chinese home.

"He likes to play in the tub," Chen said of his son. Chen also had a shower with a sliding Plexiglas door installed, as well as a wide sink. He had gray tiling laid, with a design he selected himself.

Because most Chinese customers are first-time home buyers, few have experience working with contractors, and stories of shoddy and substandard work are legion. Chen said he had to watch the workers night and day.

"I actually moved in next door for two months so I could supervise them," he said. "I don't think they liked that very much."

But he is proud of the results. Chen's home is a pleasant contrast to many new Chinese homes, furnished with the black leather upholstery that fills state-run furniture stores.

"We had a very particular idea of what we wanted," Chen said. "Buying a home is still new in China. It's a lot of work, but it's worth it."

PEOPLE

CHINESE officials may have seen to it that the epic 16th-century opera "The Peony Pavilion" never played at the Lincoln Center Festival this summer, but a chance to see the opera arises this week at the Barbican International Theater Event in London. This "Peony Pavilion," directed by Peter Sellars, is not the 19-hour version that was to have been seen in New York, but a three-hour avant-garde interpretation of the central love story that had its world premiere at this year's Vienna Festival. The 400th-anniversary production of Tang Xianzu's classic includes specially written music by Tan Dun and a cast that features Hua Weiyi, a leading Kun opera exponent.

Pope John Paul II received the British film star Ben Kingsley, the Indian television actor Kabir Bedi and the Argentine model Valeria Mazza after the three recorded a television program at the Vatican on Mother Teresa, the Catholic nun fa-

mous for her work among the poor in India, who died a year ago.

The Irish rock band U2 has signed a contract worth \$50 million with the record company Polygram to bring out three "best of" albums. The first compilation will go on sale in November in time for the Christmas buying season. In 20 years, U2 has brought

out 10 albums and sold more than 87 million records around the world.

It looks like Earl Spencer may be heading back home. The brother of Diana, Princess of Wales, who left Britain for South Africa in 1994 after complaining about the media glare on his failing marriage, plans to return permanently to Britain early next

year, the Sunday Telegraph said. It said he was bored living in Cape Town. He has spent more time in Britain recently, and the paper said he was buoyed by the success of an exhibition at his family estate honoring Diana. The exhibition coincided with the first anniversary of her death in a car crash in Paris on Aug. 31, 1997.

The Dutch House of Orange had three royal reasons to celebrate over the weekend: the 72d birthday of Prince Claus and two landmark coronation anniversaries. The birthday Sunday of Claus, husband of Queen Beatrix, coincided with the 100th anniversary of the crowning of Queen Wilhelmina and the 50th anniversary of the day her daughter, Princess Juliana, became queen. The German-born prince was marking his birthday quietly at home with family and close friends, Dutch media reported. He is said to have fully recovered from emergency surgery in June to treat an enlarged prostate.



ON THEIR TOES — Chinese dancers performing at celebrations marking the birthday of King Mswati III of Swaziland and the country's independence day.

Two Nations' Views of the Landscape

New York Times Service

NEW YORK — The landscape traditions of two emergent nations, Australia and the United States, will be explored beginning Friday in an exhibition at the Wadsworth Atheneum in Hartford, Connecticut. With more than 100 paintings, roughly half from each country, the show, "New Worlds From Old," draws on the collections of 32 American, 11 Australian and 2 European museums and galleries. Among the 37 American artists represented by major works are Thomas Cole, Frederic Edwin Church, Albert Bierstadt and Winslow Homer. Nearly all the historical landscapes by the 23 Australians, including Eugene von Guerard, Arthur Streeton and Tom Roberts, have never been shown outside that country.

(take in a rock show)

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